The battle for RHM

Hanson's protégé plays a trump

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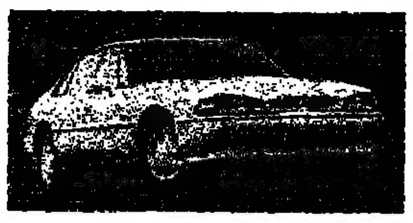

General Motors

Can it recover? A global review

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Hewlett-Packard boss: why I support Clinton

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Tomorrow's Weekend FT

The practical traveller: how to handle India's railways

FT NEWSPAPER of THE YEAR

FINANCIAL TIMES

Europe's Business Newspaper | FRIDAY OCTOBER 30 1992 | D8523A

Yeltsin suspends troop pull-out from Baltics

Russian president Boris Yeltsin yesterday suspended the withdrawal of Russian troops from the Baltic states because of worries about the rights of Russians living there. He signed an order saying the pull-out would be resumed only when agreements had been reached Estonia, Latvia and Lithuania on the rights of soldiers and their families and the form a resumed withdrawal would take . Page 2

German inflation: Provisional estimates show German consumer price inflation was running at 3.8 per cent in October, up 0.4 per cent from September. The figures were worse than economists expected and dampened hopes of an early cut in interest rates. Page 20

France cuts key rate: The Bank of France cut the rate at which it lends to commercial banks for between five and 10 days from 13 per cent to 10.5 per cent. The move implied France felt it had vanquished currency speculators who attacked the Franc last month.

Uranium smugglers: German police smashed a ring suspected of trying to smuggle uranium and 30 tanks into the Yugoslav war zone. Munich's public prosecutor said seven Germans, two Austrians, a Swiss and eight Croatians – including a Roman Catholic priest – were under investigation and seven of them had been arrested.

Nomura chairman warns of tough times:

Japan's biggest broker, Nomura Securities, warned yesterday that it may not have the resources to overhaul all its ailing affiliated brokers. Chairman Yukio Aida (left) said times were so tough that "even Nomura" might not be able to help them. "Some of these affiliates are in bad shape. We are concerned about this. I am apprehensive," Mr Aida said. Page 21

London explosives haul: British police seized a big haul of Semtex explosive in London, but the anti-British Irish Republican Army warned it had more explosives hidden and was ready to launch a pre-Christmas bombing blitz.

Ronson may lose control: British businessman Gerald Ronson and his family trusts and charities stand to see their 100 per cent stake in private property and trading company Heron International cut to 5 per cent if banks and bondholders back a restructuring plan. Page 22

Parting of the ways: Czech premier Vaclav Klaus and his Slovak counterpart Vladimir Meciar signed the first package of agreements defining relations between their republics once the Czechoslovak federation dissolves on January 1.

Vote for closer union: Italy ratified the Maastricht treaty on closer European union. Its House of Deputies voted 403 to 46 for the move with 18 abstentions. Spain's lower house also gave the treaty overwhelming support.

Fresh Hong Kong talks sought: Britain is seeking new talks with China to break the deadlock over Governor Chris Patten's plans for democratic reform in the UK colony, which is due to revert to Chinese rule in 1997.

Irish government crisis: Ireland faces the possibility of an imminent general election because of apparently irreconcilable differences between two coalition party leaders. Page 20; Human rights ruling on abortion, Page 2

Faction split opens again: The rift in the biggest faction of Japan's ruling Liberal Democratic party widened again when its new chairman, Keizo Obuchi, excluded his opponents from key positions. Page 10

Santiago blacked out: Bomb attacks blacked out half of Chile, leaving much of Santiago, the capital, without electricity. Police blamed the attacks on a small Marxist guerrilla group. Page 6

Profits fall at Axa: The big French insurer which last year invested $1bn in Equitable Life Assurance of the Us, saw first-half profits drop 34 per cent to FFr979m ($190.69m) and predicted a further fall for the full year. Page 22

Big BP oil find: UK oil company British Petroleum said it estimates reserves in Colombia's Cusiana field at 1.5bn barrels - confirming it as BP's biggest oil discovery since North Sea finds in the early 1970s. Page 36

■ STOCK MARKET INDICES		
FT-SE 100:	2,642.3	(-8.1)
Yield	4.58	
FT-SE Eurotrack 100	1,025.26	(-2.83)
FT-A All-Share	1,258.28	(-0.3%)
Nikkei	18,937.71	(-130.7)
New York lunchtime		
Dow Jones Ind Ave	3,268.59	(-0.81)
S&P Composite	421.12	(+0.99)
■ US LUNCHTIME RATES		
Federal Funds:	$3\frac{1}{16}$%	
3-mo Treas Bills: Yld	2.993%	
Long Bond	$95\frac{30}{32}$	
Yield	7.592%	
■ LONDON MONEY		
3-mo Interbank	$7\frac{11}{16}$%	($7\frac{3}{16}$%)
Liffe long gilt future:	Dec $101\frac{3}{32}$	(Dec $100\frac{7}{8}$)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Dec)	$19.6	(19.8)
■ Gold		
New York Comex	$339.5	(339.4)
London	$339.65	(338.65)

■ STERLING		
New York lunchtime:		
$	1.5795	
London:		
$	1.57	(1.5775)
DM	2.42	(2.4275)
FFr	8.1875	(8.235)
SFr	2.1575	(2.16)
Y	193.75	(193.25)
£ Index	78.8	(79.0)
■ DOLLAR		
New York lunchtime:		
DM	1.5415	
FFr	5.215	
SFr	1.3745	
Y	123.35	
London:		
DM	1.5396	(1.5365)
FFr	5.221	(5.22)
SFr	1.3738	(1.3695)
Y	123.325	(122.5)
$ Index	63.6	(63.5)
Tokyo close Y 123.82		

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3900	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Finland	FM12	Korea	Won 2800	Philippines	Pso46	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Turkey	L6000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es180	UAE	Dh10.00

Bush and Clinton trade insults as poll gap narrows

By Jurek Martin in Washington

ALL pretensions to politeness in the US presidential campaign are now in tatters. Governor Bill Clinton and President George Bush are directly trading charges that each is unworthy of the public trust, while Mr Ross Perot, the independent, continues to belittle both as incapable of leading the country.

The heat is being generated against the background of fresh public opinion polls which agree that Mr Bush is narrowing the gap but differ wildly on by how much. Surveys out in the last 24 hours put Mr Clinton ahead by as much as 10 points (the Washington Post) and as little as 2 points (CNN/USA Today). Most also found Mr Perot was no longer on the rise.

The big change has been in Mr Clinton's approach towards Mr Bush. Yesterday in Toledo, Ohio, he angrily charged that "the American people must see him for what he is – a desperate person who just wants to hold on to power and doesn't give a rip about them". Mr Bush, he repeated, "has abused the power of the presidency".

Mr Clinton has started describing the latest series of Bush commercials – painting him as anti-defence, anti-farming and an environmental extremist – as "worse than a lie; they just make literally anything up". Mr Bush, he said "will say or do anything, the man has no core of conviction. This is not Harry Truman; Harry Truman was never called dishonest".

Though Mr Clinton continues to pound away with his economic message, it is now mixed with assaults on Mr Bush's character. This amounts to a tactical shift brought about by the relentless attacks by the president on Mr Clinton's shortcomings.

Yesterday, in Michigan, Mr Bush himself shifted tack, perhaps concluding that he had drawn enough blood for the moment with his disparagement of the characters of Mr Clinton (less competent than his Millie, the Bush family dog, to run foreign policy) and Senator Al Gore ("Mr Ozone").

Instead, he returned to his great encouragement of the week, the improvement in economic output in the third quarter. Mr Clinton, he charged, had no understanding of the global economy, did not appreciate that the US was outperforming rivals.

In a rare live appearance in Denver on Wednesday night, Mr Perot attacked the other candidates indiscriminately, though he did not raise again his charges of dirty tricks against the Bush campaign. He ridiculed Mr Clinton because the principal business of the governor's state of Arkansas was raising chickens – "and these are not jobs which will pass on the American dream to our children".

But he really put the knife into Mr Bush. "He can't win," he declared, "it's not in the cards," and a vote for the president was "a waste." He said Mr Bush's attitude was that, "if you don't do anything, things will work out".

Bush narrows gap, Page 6

Delors rules out Danish requests over Maastricht

By Lionel Barber in Brussels and Robert Mauthner in London

MR Jacques Delors, European Commission president, yesterday inflamed the controversy over Denmark's demands for exemptions from the Maastricht treaty, bluntly warning that binding legal agreements sought by the Danes were unacceptable.

In the Belgian parliament, Mr Delors said the Danes could expect no more than "interpretative declarations" to the treaty – an offer which falls short of Denmark's request for a UK-style opt-out on a single European currency and exemption from a putative European defence force.

Mr Delors' remarks will upset the Danish and the British governments who face a delicate political balancing act in selling Maastricht to a sceptical public. However, his tough stand appears to be supported at this stage by other EC member states which have reservations about special treatment for the Danes.

A British Foreign Office memorandum issued by mistake to journalists in London on Wednesday expressed the view that the Danish proposals, in their original form, were unlikely to prove acceptable to some EC countries.

The Foreign Office attempted to play down the memorandum's significance, saying it amounted to no more than "some first thoughts" written last Friday by Mr Michael Jay, assistant under-secretary for EC affairs.

The memo's conclusions contrasted with the broadly favourable welcome to the Danish paper given by Mr Douglas Hurd, foreign secretary, who described it as "strongly positive".

In his remarks, Mr Delors appeared to pre-empt what Brussels diplomats predict will be a protracted wrangle between Denmark and its EC partners on the terms of modifying the Maastricht treaty. He stated flatly: "You can only solve the Danish problem by adding interpretative declarations [to the treaty], you cannot add a protocol because it has the value of a treaty."

In a veiled warning to Denmark and to Britain's Maastricht waverers he said: "You cannot force a country to ratify the Maastricht treaty – and none can have such a large right of veto that it prevents others from progressing".

Last night, Mr Delors' chief spokesman played down the significance of his remarks, saying they were in line with earlier statements by the 11 ruling out renegotiation of the treaty.

Mr Delors has no direct say in how the EC should resolve the crisis created by the rejection of Maastricht in the Danish referendum in June. But his views as European Commission president carry a lot of weight, because they often reflect the sentiments of the French government.

His argument that a treaty protocol amounts to a treaty amendment requiring re-ratification is also shared by top legal experts in Brussels. All 12 EC member states, including Denmark, have stated that there can be no formal renegotiation of the treaty and therefore no re-ratification.

Italy yesterday ratified the treaty with an overwhelming vote in favour by its lower chamber of parliament. The Senate had approved the treaty on September 17.

Italian foreign minister, Emilio Colombo, said the treaty, "despite its defects, is a considerable step forward towards our ideal of European Unity".

Meanwhile the Spanish lower house approved the treaty almost unanimously in a first step towards expected ratification.

The treaty must be ratified by all 12 EC members before it can come into full force. Greece and Luxembourg have fully ratified the treaty, while France and Ireland have approved it in referendums.

Major sways doubters on Europe, Page 12
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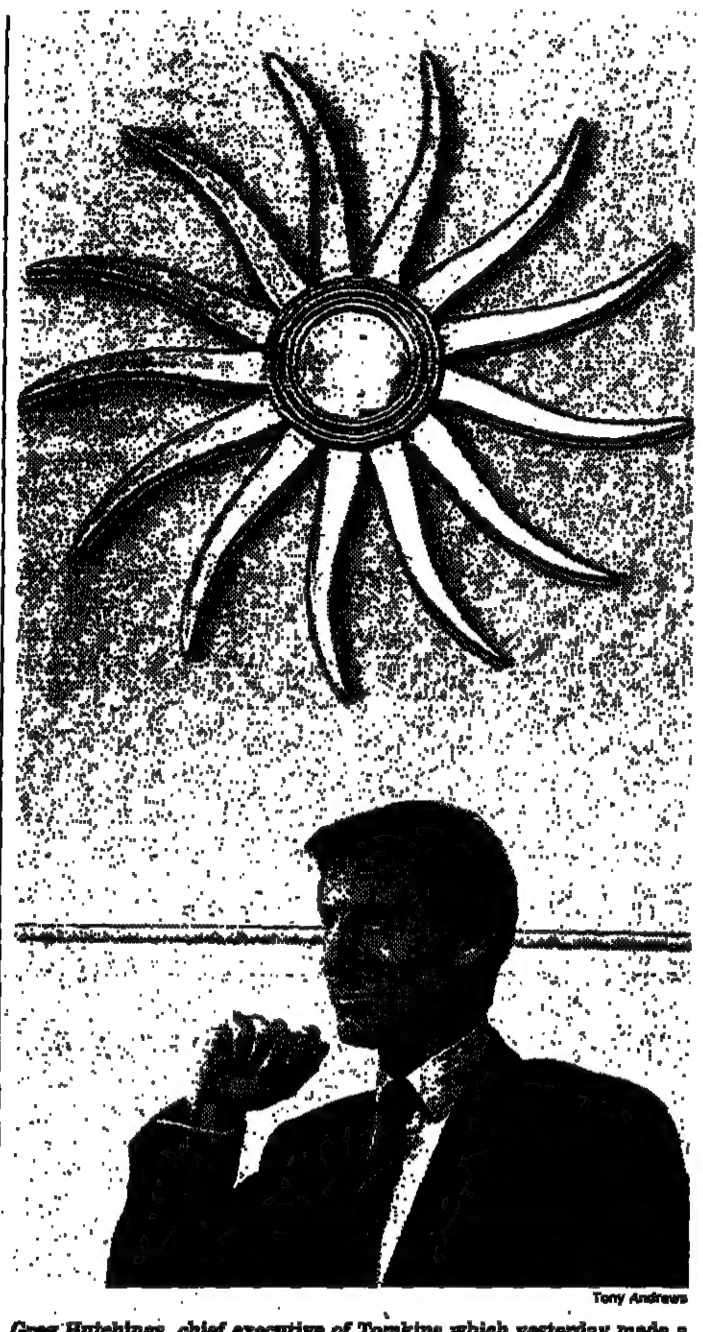

Tony Andrews

Greg Hutchings, chief executive of Tomkins which yesterday made a takeover bid for UK food group Ranks Hovis MacDougall

Tomkins makes bid for RHM of £935m

MR GREG HUTCHINGS, the British conglomerate-builder who once said Lord Hanson had taught him "pretty much everything I know", yesterday trumped his former mentor with a £935m ($1.5bn) takeover bid for Ranks Hovis MacDougall, the UK milling, baking and grocery products group.

RHM, which already faces a hostile £790m offer from Hanson, the Anglo-American industrial conglomerate, agreed to the counter-bid from Tomkins, Mr Hutchings' company, and recommended that shareholders accept it.

Tomkins' move puts pressure on Hanson either to offer more or pull out of the fight. Lord Hanson said he was "very surprised" that RHM had refused to talk about "whether we might be prepared to offer a greater value".

He said he was "astonished" that Mr Stanley Metcalfe, chairman and chief executive of RHM, had said two weeks ago that a demerger of RHM was "the right path for us to take". Mr Metcalfe was not commenting yesterday.

Tomkins, which makes Smith & Wesson guns, Hayter lawnmowers and Murray bicycles, had been looking at RHM for a year, Mr Hutchings said. He said Tomkins' brand management skills would help RHM revitalise names such as Mothers Pride bread, Bisto gravy and Paxo stuffing. Mr Hutchings, 45, spent

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Analysis, Page 27

Paris to cut stake in Rhône-Poulenc

By William Dawkins in Paris and Paul Abrahams in London

THE FRENCH government is to sell at least 10.6 per cent of the capital in Rhône-Poulenc, the state-owned chemicals and pharmaceuticals group, in the latest in a series of partial privatisations.

The sale, likely to be before the end of the year, will raise an estimated FFr3bn-FFr4bn ($580m-$770m) depending on the price of Rhône-Poulenc's listed certificates of investment (CIs) – a kind of non-voting share. As in the FFr11bn of French public sector asset sales so far this year, the cash will be used for job creation programmes and to fund other public sector companies.

At the same time, the government will allow holders of CIs and non-voting participating shares – just over a quarter of the group's issued equity – to convert their paper into ordinary voting shares at no charge, so Rhône-Poulenc will end up with a single class of ordinary shares, instead of a complicated mixture of three kinds of voting and non-voting stock.

The finance ministry said the Rhône-Poulenc sale would reduce the government's direct ownership stake from 56.9 per cent – at which level it held 77.5 per cent of the voting rights – to about 45 per cent.

However, the public sector will continue to hold majority control because of the 20.8 per cent of the group owned by Crédit Lyonnais and AGF, the state-owned bank and insurance company. The precise final breakdown will depend on how many holders of Rhône-Poulenc warrants exercise their rights to buy shares.

Like other state-owned companies in the recent round of partial privatisations, Rhône-Poulenc will raise no cash for its own needs.

The announcement follows a 22 per cent increase in operating income during the first half of the year. Since then, the company has warned that growth during the third quarter had slowed to between 10 and 15 per cent.

Almost all the group's earnings growth over the past 18 months has come from Rhône-Poulenc Rorer, its US pharmaceutical business.

Mr Samuel Isaly, partner at the healthcare investment group Mehta and Isaly, warned that although the company's management was excellent, the merger benefits of cost-cutting and cross-marketing were now completed. Given its drugs portfolio, the group was set to lose market share over the next five years, while it developed new drugs.

Grip relaxes, Page 3

Lamont outlines UK growth plan

By Peter Norman, Economics Editor in London

MR NORMAN LAMONT, the UK chancellor of the exchequer, last night reinforced the ruling Conservative government's new commitment to growth and outlined a more open approach to policy making.

Mr Lamont also held out the prospect of further cuts to Britain's interest rate. While he said no risks would be taken with the long-term inflation goal, the government had "no desire to see interest rates any higher than necessary".

He used an annual City banquet to place capital spending programmes at the top of the government's public expenditure priorities in 1993-94.

The chancellor also promised to take industry's interests into account as part of a "rebalancing" of policy "to give greater weight to securing an early resumption of growth".

"We cannot press a button and see the economy spring to life," he said. "But we can examine every development, every policy option, every idea and ask ourselves – does this support industry? Will it help confidence? Will this get the economy going? That is what we shall be doing in the

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Russia will need $22bn aid next year

By Steven Butler in Tokyo and Leyla Boulton in Moscow

RUSSIA will require at least $22bn (£13.4bn) in aid next year to meet its balance of payment requirements, Mr Richard Erb, deputy managing director of the International Monetary Fund, said yesterday.

Even this huge figure assumed that the Russian government would significantly tighten monetary and fiscal policies by the end of this year.

Mr Erb was speaking at a conference in Tokyo on assistance to 12 of the 15 states which were formerly part of the Soviet Union. The conference, which concludes today, is the third and last in a series of multilateral meetings that began in Washington in January.

Participants from the 70 nations at the conference expressed a strong desire to move beyond the relatively ad hoc arrangements drawn up at the Washington conference in which five working groups, covering food, medicine, energy, shelter and technical assistance, co-ordinated aid to all the 12 republics.

The conference is today expected to endorse proposals aimed at giving the World Bank responsibility for establishing consultative groups that will help channel aid to individual countries.

Baroness Chalker, UK overseas development minister, addressing the conference as president on behalf of the EC, said the pattern of World Bank-chaired consultative groups provided a tried and tested method of aid.

Mr Erb and others stressed the importance of technical assistance to help the states develop working market economies over and above the need for financial assistance. Mr Erb also stressed that reforms would be useless unless governments were able effectively to implement macro-economic stabilisation policies which have often proved elusive.

While the aim of the conference was to establish structures through which to channel long-term aid, there is also growing concern about shortages of food, medicine, and housing this winter. Japan yesterday pledged $100m in new emergency aid, most of which will be disbursed in the Russian Far East. The US said yesterday it would provide $260m in grant food aid this winter.

This coincided with a fresh warning in Moscow of imminent hyperinflation and an announcement that millions of people would have to be evacuated from Russia's Arctic north for lack of state subsidies to keep propping up particularly inefficient enterprises there.

Russian president seems ready to curb reforms and work with Civic Union to stay in power

Yeltsin makes peace proposal to Volsky

By John Lloyd in Moscow

RUSSIAN PRESIDENT Boris Yeltsin has indicated that he would "work seriously" with the centrist Civic Union group, in a further apparent sign of his willingness to moderate reforms before the forthcoming Congress of Peoples' Deputies, at which an all-out attack on his government is planned.

Mr Arkady Volsky, the head of the Union of Industrialists and Entrepreneurs, which is closely associated with the Civic Union, and which has just completed its programme to "correct" the government's policies, said the government and the Civic Union had been coming closer together in their thinking.

At the same time, the National Salvation Front, the nationalist-communist coalition which Mr Yeltsin banned earlier this week, decided to defy the ban.

Mr Ilya Konstantinov, a leader of the Front, said yesterday: "This is an anti-constitutional decree contrary to the legislation – we will not recognise its legal force."

Yet more ominously, Lieutenant Colonel Yevgeny Chernorikov, deputy chairman of the Union of Officers, a nationalist grouping claiming 10,000 members, said the group had appealed to officers to reconsider their loyalty to the Russian authorities.

"The personal loyalty of the minister of defence to the president does not mean that this corresponds to the interests of the country."

According to Col Chernorikov, the army had received an order that all weapons except those issued to guards must be locked up – an apparent indication that the authorities feared an army revolt.

Mr Yegor Gaidar, the acting prime minister, said when asked about the order that he knew nothing of it, but would make inquiries of the Defence Ministry.

Mr Yeltsin, in an interview with the mass-circulation weekly newspaper Argumenty i Facty, said he would be "tough with those who call for the overthrow of constitutional power".

But he dismissed those "who shout a lot" as having no social base, saying they could thus not be called an opposition.

The Civic Union, however, could be called an opposition, but so far it had only put up about a dozen slogans, which did not constitute a programme.

"When such a programme is unveiled, then we must work seriously with the opposition," he said.

One option apparently being considered by Mr Yeltsin is an agreement, tacit or explicit, with the Civic Union – which would include some cabinet changes, possibly even the removal of Mr Gaidar from his current post as prime minister.

However, Mr Gennady Burbulis, one of his closest aides, said in a separate interview yesterday that things were becoming so unstable that presidential rule "must be considered".

FINANCIAL IZVESTIA IN PRINT

FINANCIAL IZVESTIA, a joint publication between the Financial Times and the Russian daily Izvestia, was published for the first time in Moscow yesterday, Our Foreign Staff writes.

The eight-page supplement, which will initially appear every Thursday, on the familiar pink paper, featured news and analysis drawn from FT and Izvestia writers. It carried a front-page photograph of Mr Ruslan Khasbulatov, the parliamentary speaker who is trying to bring Izvestia back under control of the Russian parliament, with Russian President Boris Yeltsin, who has decreed that the paper remain independent.

A communist protester at a Moscow meeting of the National Salvation Front yesterday gestures in imitation of a picture in Pravda newspaper of President Boris Yeltsin, who has banned the Front, a coalition of communist and nationalist groups

Baltics troop pull-out delayed

PRESIDENT Boris Yeltsin signed an order yesterday suspending the withdrawal of Russian troops from the Baltic states because of concern for the rights of Russians living there, Itar-Tass news agency said, Reuter reports from Moscow.

It said the pullout from the former Soviet republics of Estonia, Latvia and Lithuania would resume only when agreements had been signed with all three on the form it would take and on the social rights of soldiers and their families.

"The president's decision is connected with his deep concern at numerous violations of the rights of the Russian-speaking population in the above states," Tass said.

Mr Yeltsin's move was the strongest yet to counter what Moscow regards as human rights infringements against the large Russian minorities, particularly in Latvia and Estonia.

Tass said he instructed the Russian Foreign Ministry to draft an appeal to the United Nations asking the world community to investigate human rights in the Baltics.

Mr Yeltsin also ordered the Russian government to draft agreements with the three states to safeguard "social guarantees" for Russian soldiers on their soil.

The Russian leader said Moscow would make economic agreements with the Baltics dependent on observance of the soldiers' rights. All three rely heavily on Russia for energy and other supplies.

Russia has reserved its heaviest recent criticism for Estonia, where Russians and other minorities making up some 40 per cent of the population were excluded from parliamentary and presidential elections last month because they have no automatic right to Estonian citizenship.

Moscow formally protested to Estonia last week, warning that serious ethnic conflict could erupt there.

The Russian Defence Ministry said last week the withdrawal of troops would be temporarily suspended because of problems rehousing the soldiers in Russia.

● Russia's birth rate has fallen by 12 per cent this year, apparently due to economic hardship and falling living standards, the National Statistics Committee said yesterday.

Bonn budget deficit soaring above target

By Quentin Peel in Bonn

THE German government's budget deficit for 1993 seems certain to rise by several billion D-Marks above the forecast DM38bn (£15.3bn), in spite of strenuous efforts to find more savings, according to senior officials.

The partners in the coalition remain clearly divided about the extent to which drastic cuts in spending must be found, and the extent to which the deficit can be allowed to rise. The 1993 budget is for DM435.65bn, and the DM38bn deficit is a slight reduction on this year's DM40bn.

Although all are talking of "drastic and painful savings", there is no consensus about where they should be made, or how great they should be.

Chancellor Helmut Kohl himself warned on Wednesday that "there is a gap between what we say and what we do." While urging savings, he seemed to warn against making excessive cuts in the biggest areas of state subsidies – agriculture, coal mining and shipbuilding.

Leaders of the Free Democratic party (FDP), the junior coalition partner, are calling for a savings package of at least DM10bn, and a regulation enforcing across-the-board cuts to achieve it.

However Finance Ministry officials confirmed yesterday that Mr Theo Waigel, the finance minister and leader of the Bavaria-based Christian Social Union (CSU), is only proposing cuts to pay for inevitable increased spending, and not to take account of a certain drop in tax revenues.

"The savings package will be well below DM10bn," one official said yesterday. "The reduced revenues caused by slower growth next year have yet to be finally calculated, but they will be covered by an increase in the deficit."

Mr Kohl has warned that a 1 per cent drop in growth next year – already forecast by the Economics Ministry – will cost DM10bn in lower revenues. Of those, the central exchequer must bear the brunt of about half, the rest reducing the income of the 16 states.

The Finance Ministry suggested yesterday that DM10bn would be the "absolute maximum" of any drop in revenues for the central government next year, which would have to be added to the net borrowing requirement.

The forecast slowdown in growth in western Germany – now put by the Economics Ministry at 1.0-1.5 per cent in 1993, and by the country's leading economic institutes at only 0.5 per cent – is also a key factor behind the increased spending pressure. Top political sources say the Federal Labour Office alone, responsible for paying unemployment benefit, needs an extra DM3bn.

On top of that, there are a series of urgent new measures planned for boosting recovery in eastern Germany, due to be presented to the German cabinet next week. They will also add several billion D-Marks on the spending side.

Brussels plan on VAT changes

By Andrew Hill in Brussels

The European Commission is to try to simplify the transitional system for collecting and accounting for value added tax and excise duties in the single European market.

The system, which comes into force from January 1, 1993, is designed to adapt current VAT procedures to the abolition of border controls. It has been widely criticised for imposing new administrative burdens on European business.

But Mrs Christiane Scrivener, the EC tax commissioner, announced yesterday that the Commission would soon publish a new directive aimed at eliminating certain technical difficulties with the system.

Among other things, the directive will tackle VAT problems which might arise from "triangular trade" in the EC. For example, a Belgian company ordering Spanish goods for delivery to a French subsidiary will not have to register for VAT in France. Instead the French subsidiary will be directly liable for the tax.

Mrs Scrivener outlined her plans on Wednesday at a meeting with Mr Carlos Ferrer, president of Unice, the European employers' federation. She told Mr Ferrer she also wanted to create a new forum for discussing operational problems with the transitional system. She said such a committee could be in place by the beginning of December and would take advantage of existing links between member states, industry and the Commission.

The transitional VAT system should be replaced with a definitive scheme from January 1997.

Finnish economy regains balance

Finland's economy faces another difficult year in 1993 but is regaining its balance, and competitiveness is improving sharply, according to the Ministry of Finance, Christopher Brown-Humes writes from Stockholm.

The ministry yesterday predicted GNP would increase next year by 2 per cent, following a fall of 2 per cent this year. The lower markka has boosted exports, leading to a 10 per cent rise in volumes this year and an expected 13 per cent increase next year. The current account is expected to be in surplus in early 1994.

The gloom centred on unemployment, which is expected to more than double to 322,000 (nearly 13 per cent of the workforce) this year before peaking at 350,000 in late 1993.

Currency boards 'not a solution'

Currency boards, which issue local notes and coins convertible into a foreign reserve at a fixed rate, are unlikely to solve the long-term problems of monetary instability in east European countries, Ms Anna Schwartz, a monetary expert and colleague of Mr Milton Friedman, said last night, Emma Tucker writes.

Finland gives pledge to meet Maastricht terms

By Lionel Barber in Brussels

PRESIDENT Mauno Koivisto said yesterday Finland would meet all its obligations under the Maastricht treaty, including participation in a common European defence force.

In contrast to Denmark's equivocations on Maastricht, including this week's demands for opt-outs on a common currency and defence force, Mr Koivisto said Finns intended to be "honest members" of the European Community.

At the end of his trip to Brussels to talk about pending negotiations on EC membership, Mr Koivisto indirectly criticised Denmark for asking for special treatment. "It is not easy to say old members have more rights than new members," he said.

Mr Koivisto said he expected the negotiations to begin next year.

He also hinted at Finnish interest in joining Nato.

Schools to open in bid to avert Kosovo civil war

By Laura Silber in Pristina

MR Cyrus Vance and Lord Owen, the joint chairmen of the Geneva peace conference, yesterday took the first tentative steps towards pre-empting civil war in the southern Yugoslav province of Kosovo, which is Serb-controlled but overwhelmingly populated by ethnic Albanians.

The two peace envoys met Serb and Albanian leaders and announced that Albanian children would return to school after a two-year hiatus.

Ethnic Albanian schools were closed throughout Kosovo after Serbian President Slobodan Milosevic imposed direct rule on the province in 1990.

Lord Owen said that after "long and difficult discussions about the complex question of opening schools... we hope the primary schools will be opened on November 2."

The breakthrough was achieved despite the refusal of ethnic Albanian leaders to hold face-to-face talks with their Serbian counterparts.

Mr Milan Panic, the Yugoslav prime minister, who joined the international mediators in Pristina, the capital of Kosovo, also held separate talks with Serb and Albanian leaders.

As Mr Panic met local Serb leaders, some 2,000 Serbs staged a rally demanding his resignation. They accused him of betraying Serbian interests by negotiating with pro-independence Albanian leaders.

While Mr Panic is branded a traitor by Kosovo's radicalised Serbs, Albanian leaders remain doubtful about his ability to deliver on his pledge to democratise Kosovo. He is locked in a power struggle with Mr Slobodan Milosevic, the president of Serbia.

Under Mr Milosevic, scores of Albanians were killed in protests in 1989 and 1990 when Kosovo was stripped of its autonomy. Tens of thousands of workers were sacked and Albanians barred from education after refusing to accept a curriculum imposed by officials in Belgrade, the Serbian and federal capital.

At issue is the status of Kosovo. Serbs see Kosovo as the cradle of their civilisation. They want the province to remain under direct rule by Belgrade, backed by a powerful police apparatus.

Albanians seek independence or at the very least full autonomy from Serbia.

Lord Owen said his delegation understood both the fears and anxieties of the majority Albanian and Serb population on the status of Kosovo. But Albanians were given the clear message by the delegation that while Kosovo's status would be negotiated, Kosovo would remain part of Serbia and Yugoslavia.

The visit yesterday by the co-presidents of the Geneva Conference comes amid intensified efforts to forestall the eruption of violence in Kosovo, which diplomats fear would spread beyond the borders of the former Yugoslavia.

France cuts repurchase rate to 10.5%

By Alice Rawsthorne in Paris

FRANCE yesterday proved that it has emerged unscathed from last month's currency crisis when the Bank of France announced it was bringing its 5-10 day repurchase rate back down to 10.5 per cent after temporarily raising it to protect the franc.

The bank raised the repurchase rate, the interest rate charged to borrowers of last resort, from 10.5 to 13 per cent at the height of September's crisis to stave off attacks on the French currency from foreign exchange dealers.

Yesterday's decision to reduce the repurchase rate indicates that the Bank of France and the French government, are confident that the currency is now safe from the threat of market pressure.

The decision to lower the rate has been welcomed by France's banks, which faced a steep increase in their own borrowing costs because of the increase. The rise in the repurchase rate, which was not accompanied by an increase in base rates, triggered an immediate jump in overnight money market rates.

If the repurchase rate had not returned to its original level the Bank of France and the government, which is usually consulted on rate changes, would have faced pressure from the banks to raise base rates to alleviate the financial pressure on them.

The government, up for re-election next spring, would have been reluctant to countenance an increase in base rates, given high real interest rates are one of the chief causes of the sluggish state of the French economy.

● Mr Michel Sapin, the French finance minister, said yesterday he would "take initiatives" as part of an EC effort to promote economic growth but gave no details. Mr Dominique Strauss-Kahn, minister for industry and foreign trade, said Europe should take joint action to reduce interest rates and promote big public infrastructure investments.

Grip relaxes on French flagship

Paris still has effective control at Rhône-Poulenc, says William Dawkins

THE Paris government's announcement that it will sell a stake in Rhône-Poulenc, the flagship of the French chemicals sector, marks a significant step in the gradual relaxation of the state's grip on industry over the past decade.

The sale, expected by the prime minister's office to take place this year, will be the first time the Socialist government has let its direct shareholding in a public sector company fall from a majority to a minority. Its direct voting rights in the group will fall from 77.5 per cent to around 45 per cent as a result of the sale and the dilution of state voting rights caused by the related decision to enfranchise Rhône-Poulenc's non-voting shareholders.

Yet the government will still exercise effective majority control because the shares owned by Crédit Lyonnais and AGF, the state-owned bank and insurance company, will bring the total public sector stake up to around 65 per cent, after the operation.

The state expects to collect around FFr4bn (£477m) from the sale, said Mr Dominique Strauss-Kahn, industry minister.

That would bring total public sector share sales this year to FFr14bn, including stakes in the oil groups Total and Elf Aquitaine, and the bank Crédit Local de France, just short of the government's FFr15bn target.

Jean-René Fourtou: his company is well placed

As with the rest, the proceeds from the Rhône-Poulenc sale will be used to fund job creation measures and to pump capital back into other state companies.

The Rhône-Poulenc move was being seen by analysts yesterday as a step towards full privatisation for the chemicals group and possibly others.

The right-wing opposition, likely to win legislative elections in March, has an ambitious privatisation programme. Mr Jean-René Fourtou, Rhône-Poulenc's chairman, is well placed to ensure Rhône-Poulenc, which needs fresh capital, benefits. He was picked for the job by the former Gaullist government and is close to former French president Mr Valéry Giscard d'Estaing, head of the centre-right UDF.

Even if the right fails to win the election, the Socialist administration has already said it is prepared to start selling majority stakes in state industry from next spring.

The other important feature of this sell-off is that Rhône-Poulenc's existing non-voting shareholders – just over a quarter of the total – are to be given votes for free.

This will surprise and possibly delight non-voting shareholders in other public sector companies, such as BNP and Crédit Lyonnais, the first and second largest state banks, and the aluminium group Pechiney. Like Rhône-Poulenc, these companies issued large amounts of non-voting certificats d'investissement (CIs) and a range of quasi-equity instruments before the government last year relaxed its freeze on the issue of ordinary equity in public sector companies to the private sector. These investors will now expect, like their counterparts at Rhône-Poulenc, to be enfranchised for nothing.

On the surface, the enfranchisement of Rhône-Poulenc's non-voting shareholders looks like another stage in the government's policy of getting state companies to behave as much as possible like their private sector competitors, against which they compete for scarce finance on world capital markets.

However, some analysts point out that the implication of allowing non-voting shares to acquire votes at no charge is that voting rights in French public sector companies are worthless. They argue that the state will always hold the whip hand, even if it only has a minority stake, as it does, for example, at the oil group Total, where the government retains the right to nominate the chairman and vet important international accords.

This could also be the case in full sell-offs, in line with the previous – and possibly future – Gaullist administration's tactic of trying to leave privatised companies with a decisive "hard core" of institutional shareholders loyal to government policies. Mr Fourtou, for one, is a keen advocate of a hard core for Rhône-Poulenc, on the grounds that it insulates the management from the search for short-term profits at the expense of long-term strategy. This is a classic concern of industry policy on both sides of French politics.

Magyars defuse row on secession

ROMANIA's ethnic Hungarians yesterday denied they wanted to secede from Bucharest in a move aimed at defusing a political row created by a declaration last weekend that they desired self-government, writes Virginia Marsh from Bucharest.

The Democratic Union of Magyars in Romania (DUMR) said secession was in any case impossible given that regions where Hungarians formed the majority were in the centre of Romania.

Instead, they said that ethnic Hungarian communities only wished for greater autonomy in order to preserve their religious and cultural identity, which were granted by the constitution.

The DUMR's earlier declaration had fuelled Romania's nationalist parties which in last month's general election won 22 per cent of the votes in Transylvania, Romania's western province where most of the 1.7m ethnic Hungarian minority live.

Romanian nationalists have interpreted the DUMR statement as further proof that the party aims to restore Transylvania to Hungarian rule and accused the DUMR of repeatedly trying to destabilise the country.

Corruption fears grow over Italian works contracts

By Robert Graham in Rome

ALMOST 60 per cent of all public works contracts in Italy are awarded on a discretionary basis, according to a parliamentary study out yesterday.

The study has been prompted by growing fears of corruption in public works contracts, as a result of the Milan municipal scandal.

Eight months of investigations by Milan magistrates have revealed systematic abuses, with tenders rigged and commissions handed out to political parties for up to 5 per cent of the contract value.

The discretionary nature of most public works tenders has come to be regarded by magistrates as a big encouragement to corruption. The evidence provided in the parliamentary study is expected to speed efforts towards a more transparent and competitive system of tendering.

The study examined public works contracts worth L48,291bn (£22bn). Of this, L28,582bn concerned projects where the contracts had been awarded on the basis of private treaty, concessions or uncompetitive tenders "which failed to comply with the basic requisites of publicity".

Among the worst offenders were government bodies and big state companies.

Also highlighted by the parliamentary study was the practice of altering contracts during the execution of projects and their subsequent delay or lack of completion.

More than 37 per cent of public works contracts had been the subject of change.

Contractors have used this as a classic device to retain business and raise the contract's original value.

Magistrates are currently examining abuses in public works contracts in virtually every major city in Italy.

The latest case was the arrest this week of 14 people, including local politicians and prominent contractors, for alleged overcharging on the contract to construct a dam near Florence.

In 1984 it was costed at L283bn and was due to be completed in 1989. Already L577bn have been spent and it is reckoned the final cost on completion will be at least L700bn.

Deputies unite to attack judges over inquiries

POLITICAL divisions in the usually fractious Italian parliament were blurred yesterday as members united in anger against a judiciary they accused of violating their rights in a series of corruption investigations, Reuter reports from Rome.

The row pitting parliament against Italy's increasingly inquisitive judges came to a head after Health Minister Francesco de Lorenzo said police had tried to seize his personal archives, ignoring his immunity from prosecution.

"We are living in a pre-coup climate," said Mr Domenico Susi, a Socialist MP who yesterday also denounced a judge's decision to impound his private office. MPs from all parties condemned the two incidents, saying democracy was in danger.

"The balance of power between the various branches of government is being upset. Whenever this happens, we usually are on the eve of some of the least glorious pages of our history," said the Christian Democrats' chief whip, Mr Gerardo Bianco.

The MPs were finally seeing their chance to hit back at the judges, who have launched investigations hitting every sector of the political establishment since the new parliament was elected last April.

"There is a climate of intimidation undermining the rights of MPs without which this country is no longer a democracy," said Mr Giusy La Ganga, Socialist chief whip, urging the government to act against the judges.

Only since the April elections upset Italy's political balance have the judges been spurred into action.

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Russians seek £2bn UK deal on helicopters

RUSSIA is bidding for the £2bn British Army attack helicopter programme with its revolutionary Ka-50 aircraft, PA in London reports.

A widely-expected preliminary bid has been made to Britain's ministry of defence. Group Vector, based in Geneva and Washington, which is handling the bid by the Russian manufacturer Kamov, is seeking a British prime contractor to lead the bid.

Mr Steve Stylianoudis, Group Vector's UK president, told Jane's Defence Weekly the company had approached Edinburgh-based GEC-Ferranti and US helicopter giant Sikorsky.

Cornerstone of the bid was that the Ka-50, which carries the Nato code-name *Hokum*, was cheap at £8m, and 30 per cent cheaper to run than the other competitors, he added.

It is expected the Ka-50, which has two sets of rotor blades placed above each other, will be powered by Rolls-Royce/Turbomeca RTM 322 engines with sensors supplied by GEC-Ferranti.

Mr Stylianoudis said the single-seat aircraft had distinct advantages for the Army, such as its speed of 170 knots. However, there are concerns about buying Russian equipment, given its poor reliability record and problems with acquiring spares.

The Apache AH-64, offered by Westland and McDonnell Douglas, remains the favourite with the Army Air Corps to win the contract for 117 helicopters. A strong body of support exists for the Franco-German-designed Tiger, which is being offered by Eurocopter and British Aerospace.

The other contenders are GEC Avionics, teamed with Bell Helicopter Textron of the US, to offer the Cobra Venom, and Boeing Helicopters with the Comanche.

Nissan to rationalise distribution in Europe

By John Griffiths

NISSAN, Japan's second largest car maker, expects to make substantial savings on its vehicle distribution operations in Europe by abandoning national distribution centres.

From next year, dealers in most continental European markets are to receive their vehicles directly from one of two much larger distribution centres – an existing facility in Amsterdam, or a new one under construction in Barcelona, which is due to begin operations next spring. A third may be added later.

Under Nissan's traditional system, vehicles have been supplied from its main import centre in Amsterdam to large compounds – some operated by independent distributors – in each country, with each country's dealer network drawing on this national "pool".

By eliminating the compounds, Nissan expects to make significant, but as yet unquantified, inventory savings.

The new system is already partially in operation in northern Europe, with dealers in Germany, northern France, Switzerland and Holland being supplied from Amsterdam.

Southern France is to be supplied from Barcelona as soon as the centre opens, with Portugal, Greece and other smaller markets brought into the system later.

Nissan, which owns its distribution networks in Germany, France, the UK, Italy and Spain, said it had no plans to take over the independent importer/distributor companies in Belgium, Greece and Portugal.

Greeks in assembly link with Boeing

By Kerin Hope in Athens

HELLENIC Aerospace Industry (HAI), a state-owned Greek facility, has signed a $20m (£12.2m) contract with Boeing Corporation, the US aircraft manufacturer, for assembly work on the Boeing 757 passenger jet.

It is the first big contract HAI has won since Lockheed Aircraft Services International, the service arm of Lockheed Corporation of the US, took over management of the Greek company 18 months ago. HAI will make part of the B757 airframe at its plant at Tanagra, central Greece, under an offset agreement made when Olympic Airways, the Greek carrier, ordered six new Boeing aircraft as part of its 1990s fleet renewal.

HAI officials say that, with the Boeing contract secured, the company is well placed to win more civil aviation subcontracting work. Talks are under way with both Northrop and Vought, two major Boeing subcontractors.

A smaller contract signed recently with Dornier, to make airframe parts worth DM1.4m (£560,000) for the UH-1D helicopter used by the German armed forces, is typical of HAI's scale of operation until now. The company, set up by the state in the late 1970s to carry out repairs for the Greek air force, does maintenance for several Middle East and Gulf air forces.

But the production side has been slow to develop despite a number of opportunities for offset work linked with Greece's recent purchases, from France and the US respectively, of the Mirage 2000 and F-16 combat aircraft.

Lockheed's task, under a two-year management contract, has been to restructure the company, develop a business plan and boost productivity. If HAI can make an operating profit over the next year, the Greek government plans to offer up to 49 per cent of the company for sale under its privatisation programme.

Clinton opposes BA investment in USAir

By George Graham in Washington and Paul Betts in London

GOVERNOR Bill Clinton, the Democratic presidential candidate, has come out against British Airways' proposed $750m investment in USAir, arguing US airlines would get no reciprocal access to the British market if the deal were allowed to go ahead.

The statement comes at a critical time for BA's controversial deal which is awaiting approval from the US Department of Transportation.

The transaction, opposed by the three biggest US carriers including American Airlines, United Airlines and Delta Air Lines, hinges on the outcome of negotiations between the UK and the US on a new liberal aviation agreement between the two countries.

There were signs yesterday that the UK was unlikely to agree to US demands for greater access for US carriers immediately into London's Heathrow airport in exchange for American approval of the BA deal.

If the talks stay deadlocked, the BA-USAir deal is expected to collapse. Supporters of the BA transaction both in the US and the UK yesterday warned this risked severe consequences for the future of "open skies", jobs at USAir, and other foreign investments in financially-pressed US carriers.

The issue has been raised repeatedly during the US presidential campaign in the past week, and has coincided with UK-US talks in Washington to attempt to open up air transport between the two countries.

On Wednesday, Mr Clinton said he would not agree to the deal. "I've got real problems with it. We get no access to the British market if we do it. It's just an admission that we've allowed the American companies to get in terrible financial trouble," he said.

Mr Bush has made clear that he cannot prejudge the issue until Mr Andrew Card, transport secretary, has made his decision.

The big three US airlines remain highly critical of the package put forward by UK negotiators; they argue that the benefits to BA are immediate while those for US carriers are promises which will come to fruition later.

The UK has proposed to grant US carriers immediate open access to UK regional airports, but greater access into Heathrow would be phased in as long as the US eased its current foreign ownership rules in US airlines.

The big three US airlines oppose any phasing-in of liberalisation and want immediate access into Heathrow and runway landing and take-off slots to operate new services to and from London.

In addition, the US airlines see British proposals for an elaborate disputes resolution mechanism as a way of reimposing heavy government regulation.

US campaign officials thought it unlikely the Bush administration would try to rush through a decision on such a sensitive deal before Tuesday's election.

If Mr Bush wins, he could press ahead; if Mr Clinton wins, it is thought unlikely a lame-duck administration would try to push the deal through before the January 20 handover of power.

This would probably spell the end of the proposed BA-USAir transaction, since BA is unlikely to extend the deadline for completing the deal beyond December 24.

Shine comes off Italy's tourist image

This year's summer season was one of the worst, Haig Simonian writes

THE recent sharp fall in the value of the lira should make Italy more attractive to foreigners after one of the worst summer seasons on record. But the country's travel agents warn the problems go well beyond an overvalued currency.

Tourism is Italy's third biggest source of foreign income after machinery and textiles and clothing. This summer's disappointing tourist receipts could hardly have come at a worse time for an economy fighting off recession and a severe deterioration in the balance of payments.

Earnings from foreigners help to compensate for the huge imports of energy and raw materials needed to run the Italian economy, which is relatively poor in natural resources. So the fall in tourist numbers has worsened a steady deterioration in the balance of payments this year as a result of declining export earnings caused by recession in many major markets.

In August, the latest month for which figures are available, the balance of payments registered a deficit of L4,505bn, (£2.03bn), up from L906bn a year earlier. The deficit for the first eight months of this year surged to L29,064bn, against a surplus of L3,779bn in the same period in 1991.

SMILES are fewer as recession bites into La Dolce Vita

Italy's foreign exchange reserves have fallen heavily as a result of lower receipts and a costly campaign to defend the lira before its devaluation in September.

Early data from Emilia Romagna, Italy's leading seaside resort region, suggest visitors in the peak May-September holiday period fell by 8 per cent. The overall drop hides a much sharper fall of at least 15 per cent in visits by foreigners, who in 1991 made up 18 per cent of the region's 4.2m visitors. Hopes that Italy's tourism industry might benefit from the switch away from Yugoslavia because of the fighting there have proved ill-founded.

The fall in visitors is as marked in Florence, Venice and Rome as on the Riviera. The Confcrescenti tourism organisation said the numbers visiting Rome plunged by 30 per cent in the first two weeks of August, the peak period, against the same period last year. Early returns for Venice suggest a drop of 15 per cent.

Relatively high inflation, combined with limited scope for depreciation when the lira was still in the exchange rate mechanism, lay at the heart of Italy's pricing problem. As the country became more expensive for foreigners, so local hotels and restaurants steadily lost ground against Germany, Austria or Switzerland. Italy's hoteliers and travel agents blame the overvalued lira as the main cause of this year's decline, but other factors played a part. Recession in Germany, the main source of Italy's tourists, was partly responsible. Popular German destinations such as Lake Garda experienced uncommonly high vacancy rates.

Foreign perceptions of widespread crime in Italy have not helped. Tales of stolen wallets abound, while Mafia murders and disclosures of corruption in many cities have fuelled a general impression of lawlessness. Earlier this month, Fiavet, Italy's travel agents' association, published a report listing poor service, ageing hotels, bad manners and high prices as top disincentives for foreigners visiting Italy.

Tourists complain about museums which are closed, or only open for limited hours. A recent wave of public-sector strikes has not helped. Many visitors object to paying stiff entrance fees to find half a famous venue off limits. The lira's devaluation, now running at around 12 per cent against the D-Mark, will mollify such feelings, but dealing with the problems which have damaged Italy's image as a tourist paradise will take longer.

Danish train order goes to Germans

By Hilary Barnes in Copenhagen

DSB, Denmark's state railway company has placed an initial DKr600m (£61.7m) order with Linke-Hoffman-Busch/Siemens, a German consortium, for eight trains for Denmark's new Copenhagen suburban network.

The German consortium now appears likely to provide trains for the whole DKr8bn order to supply the network. The opposition Social Democrats had argued the orders should go to Denmark's ABB Skandia.

But yesterday, the opposition agreed it would be unable to stop DSB placing the order with LHB/Siemens without breaking EC public tendering law. The first trains are due for delivery in 1995. By 1997, DSB will decide whether to order 120 trains, worth DKr8bn. The electric trains will use the existing power network.

The German trains are lighter than ABB Skandia's, using a newly developed single-axle light bogie. According to DSB, trains supplied by the German consortium would be more fuel-efficient and cause less track-wear than Skandia's.

But Skandia has argued that the choice of new technology in the German trains means the consortium may be unable to deliver on time.

LEGAL NOTICES

INSURANCE COMPANIES ACT 1982
UNI-POLARIS INSURANCE COMPANY LIMITED
TRANSFER OF GENERAL BUSINESS

1. NOTICE IS HEREBY GIVEN that UNI-Polaris Insurance Company Limited applied to the Secretary of State for Trade & Industry on 28th October 1992 for his approval, pursuant to section 51 of the Insurance Companies Act 1982, to transfer to UNI Storebrand Insurance Company (UK) Limited all of its rights and obligations under all the contracts written by it in the United Kingdom prior to 6th May 1992.

2. Copies of the Statement of Particulars of the proposed transfer are available for inspection at the offices of UNI-Polaris Insurance Company Limited at Plantation House, 5-8 Mincing Lane, London EC3M 3DX from Monday to Friday between 9.00 am and 5.00 pm on any usual business day until 29th November 1992. Any person wishing to inspect the same is requested to give prior notification to Mr Papworth at UNI-Polaris Insurance Company Limited (telephone no. 071 621 9534).

3. Written representations concerning the transfer may be sent to the Secretary of State for Trade & Industry, Department of Trade & Industry, Insurance Division, 10-18 Victoria Street, London SW1H 0NN before 29th December 1992. The Secretary of State will not determine the application until after considering any representations made to him before that date.

CLYDE & CO

Appointment of Joint Administrative Receivers
FOX'S LEISURE LIMITED
Registered number: 2465283. Trading name(s): Fox's Niteclub & Restaurant, Fox's of Wolverhampton. Nature of business: Nightclub & Restaurant. Trade classification: 48 & 49. Date of appointment of joint administrative receivers: 20 October 1992. Name of person appointing the joint administrative receivers: County NatWest Limited. JOHN FREDERICK POWELL and IAN NAPIER CARRUTHERS, Joint Administrative Receivers (Office holder nos 249 and 814) Cork Gully, 43 Temple Row, Birmingham B2 5JT

Advertisement of creditors' meeting under Section 48(2) Insolvency Act 1986
Company No 1055628
Registered in England and Wales
CREST DISTRIBUTION LIMITED
Notice is hereby given pursuant to Section 48(2) Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at the offices of: Cork Gully, Orchard House, PO Box No 262, 10 Albion Place, Maidstone, Kent ME14 5DZ on 6 November 1992 at 10.30am for the purpose of having laid before it a copy of the report prepared by the Administrative Receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act. Creditors are only entitled to Vote if: (a) They have delivered to us at the address shown above, no later than noon on 5 November 1992, written details of the debts they claim to be due to them from the company and the claim has been duly admitted under the provisions of Rule 3.11 Insolvency Rules 1986; and (b) There has been lodged with us any proxy which the creditor intends to be used on his or her behalf. Please note that the original proxy signed by or on behalf of the creditors must be lodged at the address mentioned: photocopies (including faxed copies) are not acceptable.
N J Vaught
Joint Administrative Receiver.
22 October 1992

In the High Court of Chancery
Chancery Division No. 009276 of 1992
IN THE MATTER OF JEYES GROUP PLC
and
IN THE MATTER OF THE COMPANIES ACT 1985
NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice, Chancery Division, dated the 14th day of October 1992 confirming the reduction of the Share Premium Account of the above named Company was registered by the Registrar of Companies on 16th October 1992.
Dated this 30th day of October 1992
Clifford Chance
200 Aldersgate
London EC1A 4JJ
Ref: KO
Solicitors for the Company

PROCUREMENT NOTICE

INVITATION TO PREQUALIFICATION

In the name and on behalf of
MINISTRY OF TRANSPORT, COMMUNICATION
AND WATER MANAGEMENT
of the Hungarian Republic
the
MOTORWAY DIRECTORATE
issues an
INVITATION
to participate in the

INTERNATIONAL PREQUALIFICATION PROCEDURE

The purpose of this procedure is to select organizations, consortia and companies which are able by way of a

CONCESSION

to finance using their own funds, to construct, operate and maintain the four-lane stretches of

M3 MOTORWAY
between section 69,6 - 302,5 km
and
M30 MOTORWAY
beetween section 0,0 -22,9 km,

according to the terms of a negotiated and mutually agreed contract.

Before issuing the Tender Documentation the Motorway Directorate will allow the Ministry to get to know the organization, financial resources and capabilities of the Applicant, as well as its previous and on-going similar projects.

The prequalified Applicants will be invited to participate and to submit a Tender for Concession.

Preliminary Information - regarding the prequalification - and forms of "REQUEST FOR QUALIFICATION" (RFQ) may be obtained at the address below, between 10.00 and 15.00 o'clock on workdays from Monday 16th of November 1992 against a receipt of payment of USD 2500,- (two thousand five hundred USD) or equivalent amount given in other convertible currencies.

Remittances are to be made to the account of Motorway Directorate: No: HU-HB 214-90174-3483 kept in the "Országos Kereskedelmi és Hitelbank" 1052 Budapest V. Károly körút 20.

MOTORWAY DIRECTORATE, BUREAU FOR MOTORWAYS IN CONCESSION
H-1024 Budapest
Fenyes Elek u. 7-13.
Attention: Mr SIPOSS. Arpád
Phone: (36-1) +202-1605 Fax: (36-1) +175 8485 Telex: 22-6056, 22-4088

The signed forms completed in English of RFQ should be submitted to the same address, no later than 16.00 (local time) Tuesday, 9th of February 1993.

Each Applicant will be notified separately about the PQ review Committee's decision.

This decision will be final.

Budapest, 30th October 1992.

MOTORWAY DIRECTORATE

Strength Through Strategic Alliances

Toshiba Corporation was founded in 1875. Over the last 117 years, the company has made "Electronics and Energy" its special area of expertise, and today is a recognised leader in information and communication systems, electronic components, heavy electrical apparatus and consumer products.

By James C. Abegglen

Mr. Fumio Sato, President and Chief Executive Officer, Toshiba Corporation

***Abegglen:** How important is Europe to Toshiba?*

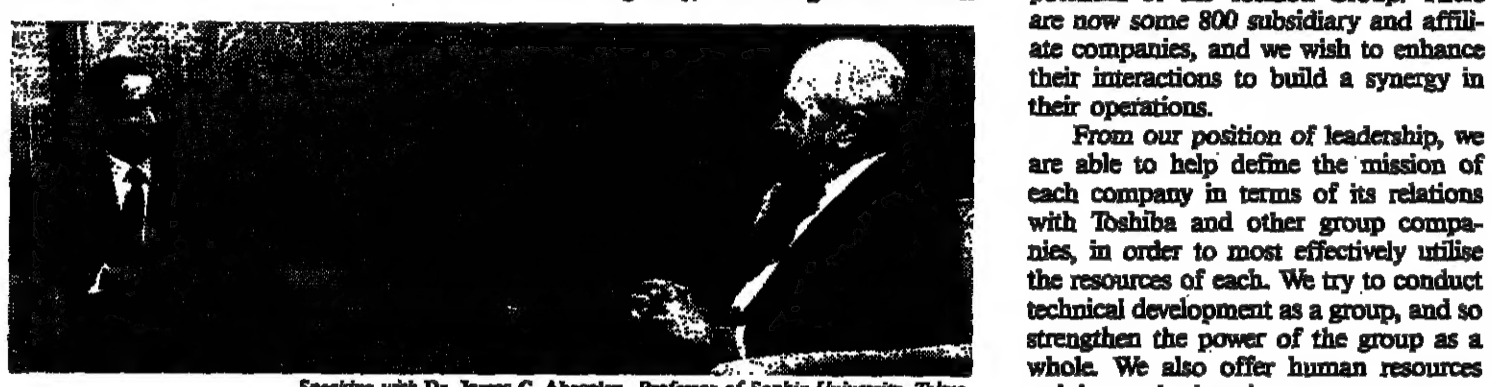
Sato: Very important. Toshiba Group's total turnover in Europe on a consolidated basis was ¥250,000 million in 1987 and this rose steadily to reach ¥428,000 million in our 1990 business year. The recession in Europe pushed down results in 1991, when our consolidated turnover was ¥365,000 million, some 15 per cent lower than the previous year. But Europe remains a key market we value very highly. Looked at by sector, most recently information and communication systems and electronic devices accounted for around three quarters; consumer appliances and heavy duty electrical equipment contributed about a quarter.

***Abegglen:** What plans do you have to manufacture locally and to 'localise' the component supply chain?*

Sato: We have always had a policy of local manufacturing, in order to ensure our responsiveness to the market. As a result, we have forged strong contacts with local suppliers, and the local content in some of our consumer products approaches 80 per cent.

***Abegglen:** As we all know too well, the world is in economic recession. What are the strategies that will guide Toshiba through this tough period?*

Sato: It is a challenging time. We stand on the verge of the 21st century, around us a new world order is emerging. Technologically, the integration of the information age is accelerating. I think that Toshiba's strength in depth, our diversified business range, which we refer to as "Electronics and Energy", or "E&E", will see us through the current period and put us in a good long term position.



Speaking with Dr. James C. Abegglen, Professor of Sophia University, Tokyo, Chairman, Gemini Consulting (Japan)

***Abegglen:** Could you give a little of the background to Toshiba's activities in Europe?*

Sato: We made our first move into Europe in 1963—almost 30 years ago—when we established an office in Zurich. This was transferred to Düsseldorf, where it became the core of our first company in Europe, Toshiba Europa, which we established in 1969.

Toshiba Stock is Traded on Nine European Exchanges

As early as 1970, Toshiba shares were listed on European stock exchanges, beginning with Luxembourg. Today, Toshiba stock is traded on nine European exchanges—Luxembourg, Amsterdam, London, Paris, Frankfurt, Dusseldorf, Zurich, Geneva and Basel.

We now operate a network of 37 subsidiary and affiliate companies throughout Europe, which together employ about 5,000 people. We have eight production bases. In Germany, we have a semiconductor plant at Braunschweig, manufacture PCs and printed circuit boards in Regensburg and VCRs in Monchengladbach.

In the UK, we produce colour TVs in Plymouth and recently started producing air-conditioning equipment as well. We have three plants in France, all of them joint ventures. We have linked up with Rhone Poulenc to manufacture plain paper copiers; with Thomson and AEG to manufacture microwave ovens; and in heavy electrical equipment, we produce vacuum bottles for circuit breakers with GEC Alsthom. We employ more than 2,000 people at these plants.

***Abegglen:** Toshiba established the Toshiba Corporation Europe Office (TEO) in London in 1989. What are TEO's functions?*

Sato: First of all, it is Toshiba's corporate representative in Europe. Secondly, the office advises operating companies on strategies for the European market; and thirdly, TEO offers individual support to each local company in such areas as advertising and corporate communications, personnel and other staff functions.

***Abegglen:** One of the major points of Toshiba's strategy in Europe is the promotion of localisation and harmonious relations with other European companies. How are you achieving this?*

Sato: One way is by focusing on the human resources we have in our companies. Of the 37 companies we have established in Europe, 21 have a European as president or managing director, and most top executives are local people. We are working to increase this further.

Electronics and Energy are Toshiba's Core

On a practical level, considering the current trends and our own goals, we are implementing a "Three G" policy with the aim of strengthening ourselves for the times ahead.

The first 'G' relates to Growth, the strategy of directing resources to expanding business in promising areas. The second 'G' refers to Global, the promotion of further globalisation. The third stands for Group, and here we are strengthening the capabilities of group management.

***Abegglen:** Could you explain what you mean by these Gs?*

Sato: To achieve Growth, we have invested considerable resources in information and communications systems and electronic devices, and these products today account for more than 50 per cent of our total sales. We have enjoyed great success in memory devices, and are among the industry leaders in ASICs. Our commitment to advanced LCDs, a key technology for the future, is now translating into a new generation of products that will find wide application. Our reputation for innovation in portable personal computers is well known, and we lead the world in innovative and powerful notebook computers.

To spur our efforts towards globalisation in this international society, we will try to promote harmonious relations with the communities in which we operate, and to secure social development. Our specific targets are an expansion of our overseas production bases and increased overseas procurement, as well as to cement cooperative alliances with major international companies, while remaining competitive.

Lastly, we wish to harness the full potential of the Toshiba Group. There are now some 800 subsidiary and affiliate companies, and we wish to enhance their interactions to build a synergy in their operations.

From our position of leadership, we are able to help define the mission of each company in terms of its relations with Toshiba and other group companies, in order to most effectively utilise the resources of each. We try to conduct technical development as a group, and so strengthen the power of the group as a whole. We also offer human resources training and education as a group.

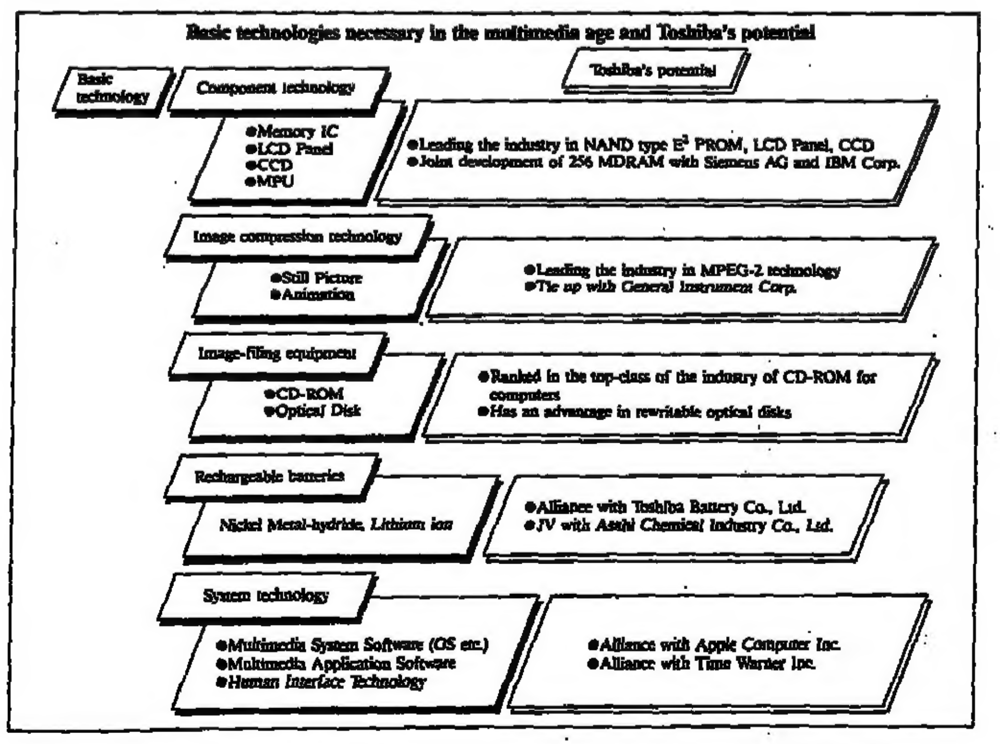
In the *Basic Commitment of the Toshiba Group*, which we introduced in April 1990, we have stated the philosophy around which we wish to unite group companies and which underpin Toshiba Group activities. This is summed up in our corporate slogan, "Committed to People, Committed to the Future".

***Abegglen:** How does this translate to improved efficiency on the assembly-line?*

Sato: Production is a critical area for us and one to which I have paid particular attention. I was given responsibility for production in 1984, and decided to devote a year to visiting all Toshiba's plants in Japan. In 1985, I started a movement for production innovation, the "TP Movement", aiming for Total Productivity.

Technological changes and product model changes are now extremely rapid and our customers' needs are very diversified. To sell more, you must offer more variety and a bigger range of models.

The traditional way of selling—to hold inventory and sell to the market—is no longer efficient. To change this, we started the "TP Movement". In principle, this means that when we sell something today, we produce a replacement that is in the market tomorrow. We adopted this system seven years ago and today our production planning is basically a one week cycle. It is difficult to achieve the daily renewal cycle—we are a little far from the ideal—but that is our goal.



***Abegglen:** How does this raise efficiency?*

Sato: Well, take the production of washing machines as an example. In the past our minimum production lot was 500 units. Today that is down to 50. Because of this, on one line we have to make more than ten set-up changes a day, while maintaining production speed. We have achieved this by ensuring that the set-up change takes only one minute. Another example is our notebook computers. They are produced at our Ome plant, where three lines can produce up to 20 different models a day.

Three Lines, 20 Different PCs

Our lead time for PCs has been cut to a quarter of what it was, and our plant inventories have been clipped dramatically. This is efficient plant management combined with effective logistics management.

***Abegglen:** What is Toshiba doing in the area of environmental protection?*

Sato: Quite a lot. Our corporate principles state that Toshiba will work to realise a better global environment. This means paying attention to environmental issues in our business activities and contributing to the world through developing technologies for environmental protection. We observe strict environmental standards in all our operations—often exceeding the statutory standards of countries in which we operate.

Before becoming president I was responsible for drawing up our policy for environmental protection, and I appointed people in each division and plant with responsibility for the environment. Our environmental concerns are also reflected in our products.

***Abegglen:** Could you give some examples?*

Sato: I can give several. We are making a major effort in power generation to produce clean energy. Toshiba is already leading the way in advanced generating techniques. We are seeing great progress in fuel cells, which generate electricity without producing carbon dioxide, and have already proved the potential of fuel cells with a very successful experimental plant. On a more conventional level, our combined cycle power plants point the way to greater energy efficiency and relatively cleaner exhaust from power generation.

We are also carrying out R&D in connection with environmental protection. Toshiba's Environmental Engineering Laboratory was established in 1989, one of Japan's first corporate laboratories dedicated to this kind of work. Some 90 engineers work there on wide range of environmental projects. One of their key tasks is to analyse the safety of the chemicals we use in our plants.

Ambitious Plan to Cut CFC Use

They are also involved in specific projects such as trying to identify substitutes for CFCs. CFC consumption in our semiconductor manufacturing has now been cut by 88 per cent, and we are on target for their complete abolition from all our operations by 1995—and that includes use in refrigeration. We have already developed a leadership role in substitutes for CFCs in industrial cleaning, with our Techno-Care cleaning agents.

We have a stringent programme for cutting industrial waste. Our target for 1992 is a level that is 85 per cent of 1990's, falling to 70 per cent by 1993.

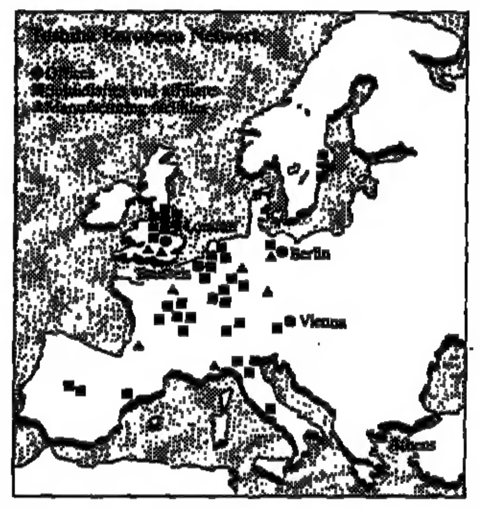
On the finished product side, we are making these easy to disassemble, which will aid recycling. Our first refrigerator designed in this way is already in the market. Since it is difficult to reduce large industrial waste, we are actively promoting recycling.

***Abegglen:** Through these policies Toshiba is trying to achieve harmony with nature. What about achieving future strength in business?*

Strength through Strategic Alliances

Sato: We are achieving this through alliances with other companies. With today's rapid advances in high technology, product development costs in the electronics industry, not to mention the risks involved, have grown enormously. To reduce these, shorten development time and to develop advanced technologies, Toshiba is actively involved in international alliances.

For example, in electronic components we have a very successful joint venture with Motorola to produce DRAMs and microprocessors in Japan. More recently, Toshiba and IBM Japan began producing 10.4 inch TFT-LCDs for use in PCs.



Moreover, Toshiba purchases 1-megabit DRAM wafers from Motorola's facility in Scotland, which are then assembled at our semiconductor facility in Germany for sale in the European market. With Siemens and IBM, we have entered an agreement to jointly develop the process technology for 256-megabit DRAMs, which will have the capacity to store the entire works of Shakespeare and Goethe, together with such Japanese literary masterpieces as 'The tale of Genji', the 'Manyoshu' and the 'Kokinshu'—with enough space left for a typical edition of the Financial Times.

We have also joined with Apple Computer to develop a CD-ROM-based multimedia player, and have a limited partnership with Time Warner for films, cable TV and software.

In alliances with European companies, Toshiba has established a joint venture company with Ericsson for digital mobile telecommunication systems in Japan. We also have a joint venture with Thomson in Singapore for production of VCRs.

I must point out that alliances like these would not have been formed without Toshiba first cultivating its own technology. Business Week recently ranked Toshiba first in the world for strength in high tech. Despite the present depressed economic situation, we are fully committed to continuing the basic research necessary for future growth, and I would like to keep R&D expenditure at a level sufficient to maintain long-term technological advancement.

***Abegglen:** To end on a personal note, I also understand that you have a great love for 'Shogi' or Japanese chess. How does this help you in your business decisions?*

Sato: It is not just the strategy and tactics that make Shogi an interesting game. It is also the enjoyment one gets from spending time with a good companion. Just as success in Shogi presupposes careful attention to detail and the ability to devise a systematic plan to see you through to a strong finish, I believe that similar qualities of mind are helpful in implementing a successful plan to manage a company.

Bush narrows the gap, but the college rules

By Jurek Martin, US Editor, in Washington

ONE POLL does not a US presidential election make, but it can certainly set the cat among the pigeons.

The opinion polls were flying in all directions at 4.30 on Wednesday afternoon, when CNN announced that its latest "tracking" poll, conducted for it and USA Today by the Gallup organisation, had Governor Bill Clinton leading President George Bush by a mere two points (40:38), to all intents and purposes a dead-heat.

Not since early July had the president been so close to the Democratic challenger. He seized on the news with joy, claiming the opposition could now see victory "slipping away." Mr Clinton went on a television talk show that night to question the changed methodology of this particular poll.

By yesterday morning, Mr Clinton could breathe a little more easily, while conceding that the race was, as he expected, narrowing. A Washington Post poll of likely voters, published yesterday, had him still up by 10 points, with 44 per cent, to Mr Bush's 34 per cent and Mr Ross Perot's 19 per cent, almost identical figures to those in a Los Angeles Times survey out on Wednesday.

The NBC/Wall Street Journal survey put the score at 43:36:15 among likely voters (but 44:33:17 among those registered). ABC's version had it 41:34:21. Mr Clinton's own pollster estimated his lead at 7-9 points, and Mr Bush's expert conceded a deficit of 4-7 points.

Both the polls and their takers agreed that Mr Perot's support seemed to have peaked.

National polls may be misleading, since the election is determined by the electoral college in which each state delegation awards all its votes to whoever has carried that state (except for Maine and Nebraska, which apportion their votes by Congressional district).

A total of 270 in the college is needed for victory.

Here Mr Clinton's edge remains very large, though with increased volatility in the critical mid-western states. An NBC-TV estimate yesterday had the Democratic incontestably leading in states with 245 college votes, with Mr Bush sure of only about 140, including Texas and Florida. It concluded that the president would have to win all but one of the 15 competitive states to retain office.

The latest electoral scoreboard of state polls compiled yesterday by The Hotline, a political newsletter, puts Mr Clinton ahead in 37 states with 392 votes, Mr Bush in 12 with 106, with ties in two states (Texas and Oklahoma) worth 40 votes.

In 25 states, worth 274 votes, Mr Clinton's edge was outside the standard polling margins of error, with Mr Bush only enjoying such comfort in two states (South Carolina and Utah) with ten votes.

But, the newsletter noted, 32 of these state polls were taken a week or more ago and therefore may lag behind the national tracking polls. This seems to be reflected in Mr Perot's standing if, indeed, it is now on the wane. In 17 states he was accorded 20 per cent or more, up from only three a week ago, and in two states (Idaho and Massachusetts) he had moved into second place.

All the national polls give Mr Clinton a bigger lead among registered voters than among likely voters (six points in the controversial CNN survey). The nub of Mr Clinton's criticism was that new screening methods had been adopted by Gallup to identify "likely" voters, which tilted the survey in favour of older white males and against the young first-time voter and working people.

Without these two categories, he conceded the race would be much closer. But, he argued, citing independent surveys of increased registration, that voter turn-out this year would reverse a 30-year decline in the US, mostly because of greater participation by the young and the economically disadvantaged.

Mr Frank Newport, Gallup's polling editor, disputed yesterday that its methodology had been much changed and said that his organisation historically switched from registered to likely voters for its "tracking" polls in the final days of a campaign. A tracking poll involves a rolling sample of daily interviews, with results combined and released every day or two. They tend, as Mr Newport acknowledged, to be liable to bigger swings.

This approach was contested by the NBC/Wall Street Journal pollsters – one a Republican, one a Democrat – who wrote: "There is no accurate way to predict whether people who voted in the past will vote this time, or whether people who don't habitually vote will decide that this election is important and so will turn out."

The volatility of recent polls also reflects when they were taken and the size of the sample.

Gallup's poll for CNN was taken on Monday and Tuesday, and covered 1,217 likely voters, with a margin of error of plus or minus 3 per cent.

ABC's sample, also taken on the first two days of this week, was smaller at 898 with a 4 per cent margin of error. NBC/Wall Street Journal surveyed 576 likely voters on Tuesday and gives its findings a five-point variability.

All reflect some impact of the controversy surrounding Mr Perot's charges of dirty tricks against the Bush campaign, levelled on Sunday. The Washington Post and Los Angeles Times polls, taken with bigger samples on Friday-Tuesday and Saturday-Monday respectively, were probably less influenced by this new factor. Both carry 3 per cent margins of error.

Polls are, of course, a snapshot of opinion on the move – and opinion is moving, for whatever reasons, in Mr Bush's direction. But, as Mr Newport repeated yesterday, it would even now be "unprecedented" for him to catch up and win.

Precedent, of course, is not an infallible guide.

The president crows, but the economic news is not all good

Michael Prowse weighs up the latest US statistics

AFTER months of gloomy economic news, President George Bush finally had something to crow about this week: official figures indicating that the US economy grew at an annual rate of 2.7 per cent in the third quarter, far above the projections of most forecasters.

As Mr Bush correctly pointed out, this was the "sixth straight quarter of growth", following a brief nine-month contraction triggered by Saddam Hussain's invasion of Kuwait in August 1990.

Is he right to complain that the US media are unfairly exaggerating US economic weakness? Is a strong recovery finally under way?

The growth figures certainly should not be taken at face value. Few analysts believe the Bush administration tried to massage the numbers, but most agree that various special factors accounted for much of the increase. The advance estimate of gross domestic product is based on incomplete data – only one month in the case of some components of GDP – and is often heavily revised.

The main driving force was consumer spending, which grew at an annual rate of 3.4 per cent after a 0.1 per cent fall in the second quarter. This was well in excess of growth of family incomes and reflected a sharp decline in the savings ratio – from 5.3 per cent to 4.5 per cent. It thus does not look sustainable, particularly in the light of extremely weak consumer confidence figures this month.

Other anomalies included an increase in defence spending at an annual rate of 7 per cent (which cannot be maintained, given the medium-term plans to cut the military budget), a blip in business equipment spending, mainly on computers, and optimistic assumptions about the September trade deficit.

Growth was also lifted by a rebuilding of corporate inventories at a pace that may not be sustained this quarter.

Allowing for distortions, the economy probably grew at an underlying rate of 1.5 to 2 per cent in the third quarter, roughly in line with the average growth over the past six quarters. The good news is that GDP has finally surpassed its pre-recession peak; this means the National Bureau of Economic Research should shortly be able to specify the month when the recession officially "ended". The betting is that this will be April or May of last year.

The bad news is that the recovery since then has been the slowest since the second world war, with GDP expanding at about a third the average rate. Confidence is down because employment has failed to recover in line with output: about 1.5m fewer workers are employed in non-agricultural businesses than before the recession began – a startling change after the rapid employment growth of the 1980s. The official unemployment rate is 7.5 per cent, substantially higher than when the economy stopped contracting last spring.

The figures, moreover, confirm the popular impression that people are not better off than when Mr Bush was elected four years ago. Real per capita disposable incomes – the best guide to living standards – have been static since 1989, a sharp contrast after growth of 16 per cent in the preceding seven years.

Having made a sluggish recovery, where does the economy go from here? The economic data are still hard to read. A modest revival of monetary growth, fitful signs of life in the housing market and an erratic decline in weekly claims for unemployment insurance are good omens. But they appear to be offset by negative trends.

Industrial production has fallen in three of the last four months. Employment fell in August and September. The Purchasing Managers' Index, a guide to the health of manufacturing industry, has dipped below 50 per cent, signalling contraction of factory output. Durable goods orders have fallen in the latest three months. Retail sales have flattened out, car sales are weak, and consumer confidence is close to historic lows, having declined for four months running.

Most economists expect a poor fourth quarter; thereafter expectations differ sharply. Mr David Levy, a forecaster at the Jerome Levy Economics Institute in New York state, says the economy will slip back into outright recession next year.

"We are looking for a contraction of GDP in the first half, possibly a quite steep fall." Mr Levy believes the economy was supported this year by a modest fiscal stimulus, reflecting an extension of unemployment benefits and Mr Bush's decision to reduce income tax withholding rates. The effects of this stimulus, however, are fading while US exports are being hit by a global economic slowdown.

Mr Levy's views may sound extreme but, last December, he was one of very few economists to predict a troubled year for the economy in 1992. Mr Levy believes the US is caught in a "contained depression" that will last much of the 1990s.

Ms Gail Fosler, chief economist at the Conference Board, a business analysis group, takes a diametrically opposed position. She predicts a weak fourth quarter but expects a sharp rebound next year.

"High operating rates and exceptionally low inventories and backlogs have set the stage for a radical reorientation of the economy toward growth and inflation, in response to tax cuts and spending increases after the election." However, Ms Fosler concedes that the US "does not have the investment base in place" to achieve sustained increases in living standards.

Most forecasters occupy a middle ground. Mr Edward McKelvey, a senior economist at Goldman Sachs, believes corporate restructuring in the face of intense global competition will continue to sap consumer confidence and restrain job growth. J P Morgan, the New York bank, takes a similar view.

Both of these blue chip forecasters are thus predicting sluggish growth at least until the second half of next year.

Wags say the US is experiencing an economic form of purgatory. It has emerged from the hell of recession, but its past sins seem to preclude an early admission to the heaven of rapid, sustained growth.

... AND THE STAR-SPANGLED BANNER: Allison Jones, aged eight, gives her all to the US national anthem as Democratic candidate Bill Clinton visits Augusta, Georgia

Foreign groups fear tax assault by Democrats

New Congress may tighten transfer price rules, writes George Graham

FOREIGN companies with subsidiaries in the US are waiting anxiously for the result of Tuesday's presidential election, expecting a new assault on their US profits if Governor Bill Clinton wins.

Regardless of who wins, the next Congress is expected to try to raise more revenue from foreign corporations by tightening the rules on the transfer prices at which companies ship goods to their US subsidiaries.

But Governor Clinton has used the assumption that he can raise an extra $45bn over four years from foreign companies as one of the cornerstones of his $50bn a year investment plan.

Mr Clinton is not alone in eyeing this source of new revenue. Mr Ross Perot, the independent candidate, has pencilled in $21.4bn of additional revenue over the five years from 1994 to 1998 from tighter transfer pricing rules.

Bashing foreign corporations is good politics, but the target may be more tempting than realistic. Mr Harry Gutman, chief of staff of the non-partisan congressional Joint Committee on Taxation, told a recent tax seminar in Belgium that his committee does not consider the Clinton figure accurate.

Tax lawyers and accountants, as well as officials from the Internal Revenue Service, agree that both Mr Perot's and Mr Clinton's estimates wildly exceed any realistic expectation. Their forecasts range from $168m to a maximum of $3bn a year.

If Mr Clinton is exaggerating the jackpot by between 10 and 50 times, as these officials calculate, the basis of his budget plans starts to look very shaky.

Complaints that foreign companies are abusing the transfer pricing rules to evade US taxes have been based largely on studies showing that foreign companies pay lower taxes, as a proportion of their sales, than US companies.

Particularly galling to congressmen is the fact that around 72 per cent of foreign businesses in the US do not pay any corporation tax.

The Organisation for International Investment (Ofii), a Washington-based group of foreign companies, argues that taxes paid by foreign companies as a proportion of net worth or of assets are as high as or higher than those paid by US companies.

Even if the whole discrepancy were attributable to transfer pricing abuses, IRS figures show that closing the tax gap would only provide an additional $3bn a year – not the $9bn Governor Clinton expects in 1993.

A more aggressive approach towards taxing foreign companies is sitting on the table in Congress in the shape of a draft bill floated as a discussion document last summer by Congressman Dan Rostenkowski, chairman of the House of Representatives Ways and Means Committee, and Mr Bill Gradison, the senior Republican member of the committee.

That bill suggests arbitrarily taxing foreign companies on the basis of the average profitability of US companies in their sector. This has drawn howls of outrage from a number of European countries as well as from the Organisation for Economic Co-operation and Development (OECD), the Paris-based grouping of industrialised countries.

"The across-the-board, minimum profit approach of the Rostenkowski bill is too much of a blunt instrument. It moves too far in sacrificing fairness for simplicity," argues Mr Carr Ferguson, a tax lawyer at the New York firm of Davis, Polk and Wardwell.

Mr Clinton has not backed the Rostenkowski approach, which could invite retaliation against US companies.

It's aloha to four sure votes for Clinton

Hawaii's islands in the sun are assessed by a Special Correspondent in Honolulu

THE DEMOCRATIC Party is as much a part of the scenery as surfers and palm trees in this Pacific outpost of US politics.

That the Democrats' presidential candidate, Mr Bill Clinton, will win in the archipelago has long been reckoned a a virtual certainty, so much so that neither he nor President George Bush has campaigned here. Indeed, no presidential candidate has kissed Hawaii's babies since 1960, when Vice-President Richard Nixon made the trip during the 50th state's first national election. He lost the presidential race that year to John F. Kennedy.

"If the Republicans are going to win Hawaii, well, they're going to win anyway," a Republican party official said. Hawaii has just four of the nation's 538 electoral college votes, and the odds against those few votes being decisive are long. The state has deviated from the Democrats only as part of national landslides for incumbents: Nixon in 1972, Ronald Reagan in 1984.

Mr Clinton's wife Hillary and daughter Chelsea made a campaign stop in August, en route to an island vacation. They were met, floral leis in hand of course, by Governor John Waihee. He is rumoured to be on the Clinton list of cabinet potentials.

Mrs Marilyn Quayle, wife of Vice-President Dan Quayle, came in September, but only to see the aftermath of Hurricane Iniki as an advisory board member of the Federal Emergency Management Agency. She made no campaign appearances.

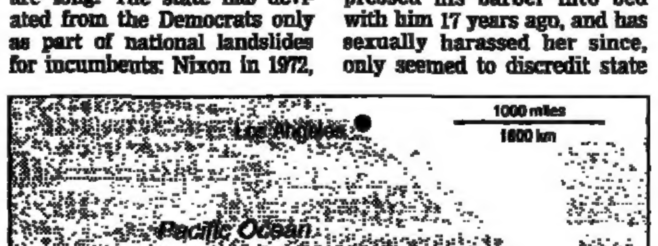
All four members of the state's delegation in Congress are Democrats; none of the three up for re-election faces a real challenge.

One ot the state's two US senators, Mr Daniel Inouye, is running for his sixth six-year term. Allegations that he pressed his barber into bed with him 17 years ago, and has sexually harassed her since, only seemed to discredit state senator Rick Reed, the Republican challenger who publicised the woman's story. She said she was tape-recorded secretly by a former Reed campaigner. Mr Inouye denied the allegations, and local Republicans raced to distance themselves from Mr Reed's advertisements.

However, the Republicans have not always been on the outside looking in. Before statehood was achieved in 1959, they dominated what was a federal territory with power inherited from missionaries and plantation owners. But the legacy turned into a burden, as their party came to be perceived as elitist. Plantation labourers, and their children and grandchildren now working in hotels, have opted for their alternative.

Hawaii residents, along with many other Americans, are also looking for change. The national recession has blown ill trade winds for the state's biggest moneymaker, the $9.9bn tourism industry.

This year's count of visitors is expected to drop by 4-7 per cent from that of last year, according to the Hawaii Visitors Bureau. The state, long a big social spender, is fumbling with budget cuts. Its 1992-93 budget of $2.8bn was based on projected overall growth of 1.1 per cent, but that has been sliced to 0.4 per cent.



Security Council seeks troops for peacekeeping

By Michael Littlejohns, UN Correspondent, in New York

THE UN Security Council yesterday proposed that member states offer peacekeeping troops to the world body for rapid deployment in international emergencies.

This was the first substantive response to detailed recommendations made by Mr Boutros Boutros Ghali, UN secretary-general, at the request of council members at their summit session last January, which was presided over by Mr John Major, UK prime minister.

Since then, various states have offered rapid deployment forces, including a 1,000-member elite contingent from France, while some other member countries have continued to have reservations about the idea.

The number of peacekeepers round the world has increased from 11,000 to 50,000 in the past year alone, with the majority stationed in Cambodia and the former Yugoslavia. But the UN presently recruits peace keepers only after authorisation by the Council and approval of the financing of such operations by the UN General Assembly. That has led to lengthy delays in their deployment, as in the case of Yugoslavia and Somalia.

In the statement which it adopted yesterday, the Council urged members to inform Mr Boutros Ghali "of their general willingness to provide forces or capabilities to the UN for peacekeeping operations and the type of units or capabilities that might be available at short notice."

Stressing that the provision of standby troops should be voluntary, the Council recommended that members hold talks with the secretary-general so that he could determine what troops might be available for particular operations and over what periods.

The council endorsed Mr Boutros Ghali's view that the UN needed more military staff in its secretariat.

He was urged to consider creating an enhanced peacekeeping planning unit and an operations centre.

Member nations should also make available experienced military and civilian staff for a fixed period to train personnel for peacekeeping operations. President George Bush, in his speech to the General Assembly last September, said the US could help train personnel at US military bases.

The current head of peacekeeping is Mr Marrack Goulding, the highest ranking UK national in the secretariat, with the rank of under secretary-general.

Concerning the effect of sanctions in peace-keeping measures, the council promised to discuss special economic problems created for third parties, as was the case with the embargo on Iraq.

Shuttle tests robotic vision system

COLUMBIA'S astronauts yesterday hoisted a domino-like aluminium panel on the US space shuttle's mechanical arm, then rolled and waved the panel to test an experimental robotic vision system, AP reports from Houston.

Crew member Charles Lacy Veach grabbed the 4ft-by-8ft (1.2metre-by 2.4metre) target panel with Columbia's 50ft (15-metre) crane and lifted it above the payload bay. He slowly manipulated the target, turning it, pulling it from side to side and moving it up and down, relying on the Canadian space vision system of computers and TV cameras to operate the crane.

Canadian astronaut Steven MacLean aligned the system by targeting sets of white dots on the black panel. The vision device seemed to work well, but it took the astronauts two hours longer than planned to latch the panel back in the cargo bay because of a minor problem with the jointed mechanical arm.

Ms Barbara Schwartz, spokeswoman for the US space agency Nasa, said the delay was not expected to affect further tests planned with the machine vision system over the next two days.

Researchers hope the computerised eye will give them more precise control of the shuttle arm, which may someday be used to build the space station.

Injectable 'birth pill' drug given go-ahead

By Karen Zagor in New York

UPJOHN, the US pharmaceuticals group, yesterday received approval from the US Food and Drug Administration (FDA) to market its Depo Provera drug as an injectable contraception, nearly 15 years after the company first applied for approval.

Although Depo Provera has been on the US market for many years as a treatment for endometrial and kidney cancers, the FDA initially rejected its application as a contraceptive after animal studies suggested it might be linked to cancers of the breast, cervix and liver.

Further studies suggested that Depo Provera's link with cancer was minimal, and the drug is already on sale as a contraceptive in about 60 other countries. Analysts estimate the drug's US sales at $108m, while revenues from non-US markets stand at about $74m.

Each injection of the synthetic hormone, similar to the natural hormone progesterone, protects women from pregnancy for three months.

On Wall Street, shares in Upjohn had risen $½ to $31⅛ at mid-day yesterday.

Explosions black out Chilean capital

By Leslie Crawford in Santiago

BOMB attacks on Chile's electricity grid blacked out half the country on Wednesday night, with much of Santiago, the capital, remaining without electricity yesterday.

Police said the bombs had blown up three high-voltage pylons in southern Chile. Explosive devices were also hurled against a police station and army buildings in Santiago during the black-out. No one was injured.

Police yesterday blamed the attacks on the Manuel Rodríguez Patriotic Front, a small Marxist guerrilla group that refused to lay down its arms after Chile's return to democracy in March 1990.

Police suspect the attacks were meant to draw attention to some 40 political prisoners in Chile. Six guerrillas have been on hunger strike for a month in protest at their prolonged captivity.

Chile's political prisoners are one of the unsolved legacies of General Augusto Pinochet's 16-year dictatorship. Many have been in jail for years awaiting trial, while others were convicted in military courts on the basis of confessions extracted under torture.

Peace prize puts Guatemala on spot

Nobel award is just one more problem for President Serrano, says **Edward Orlebar**

THE award this month of the Nobel Peace Prize to one of the most vociferous opponents of the Guatemalan government has added to an array of problems faced by President Jorge Serrano.

The government has been sharply criticised for its handling of the award to Ms Rigoberta Menchu, a human rights activist and an energetic critic of successive Guatemalan governments since she fled to Mexico in 1981, following the death of her father, mother, and brother at the hands of the armed forces.

The government, seemed tobe caught unprepared, and was quickly forced into an embarrassing U-turn. Days after several prominent government officials publicly stated their opposition to the award, President Serrano scrambled to invite her for a meeting in the National Palace, minutes before she left for Mexico where President Carlos Salinas had organised an official celebration.

This is the latest in a series of difficulties for Mr Serrano, which has left his government isolated and has pushed him closer to the powerful armed forces.

Twenty-one months into his term, the president has failed to deliver the peace he promised in his election campaign: to end 32 years of armed conflict. Negotiations between the government and the left-wing National Guatemalan Revolutionary Unity guerrillas (URNG) have stalled on the issue of human rights, the first point of an 11-point agenda agreed in Oslo 18 months ago.

The president's initiative to recognise Belize, which the Guatemalan constitution states is part of Guatemala, continues to be blocked pending a Supreme Court decision on whether his action was constitutional.

While most Guatemalans have little interest in the Belize issue, most leading newspapers have attacked the government for its handling of the matter.

Two weeks eariler the human rights performance of the armed forces had been criticised by a United Nations expert on Guatemala. A German professor, Christian Tomushcat said that the presidential staff was "totally discredited" over its stance on the killing of Guatemalan anthropologist, Ms Myrna Mack, whose death has become Guatemala's most prominent human rights case. Ms Mack's sister has called for a case to be opened against General Edgar Augusto Godoy, chief of presidential staff at the time of her sister's death two years ago.

Mr Serrano has turned increasingly to the army for support, as an antidote to an unreliable congress, and a coalition cabinet which has lost the semblance of unity.

The influence of the army grew significantly after it took over security in Guatemala City following a widespread bombing campaign in April and May, believed to be the work of right-wing extremists and drug traffickers.

The Nobel prize is being seen by some as a chance to elicit change in the attitude of a political and economic establishment which has largely marginalised and repressed Guatemala's majority indigenous tribal population.

"It was a shock to the upper crust of our society ... which was needed for people to finally realise some realities of this country," Mr Edmond Mulet, congress president, said.

For the indigenous population Ms Menchu's victory is being seen as a chance for greater political participation and recognition of their culture.

Rigoberta Menchu waves to supporters: her award shocked an establishment which has repressed the indigenous tribal people

Colombia plagued by struggle for power

Sarita Kendall on why power cuts have hit a country rich in energy resources

COLOMBIA abounds in energy resources. It has oil, gas, coal and a large choice of well-watered Andean valleys with hydro-electric potential. Its 8,600MW of electricity generating capacity should more than meet local demand.

In spite of all this, power cuts averaging six hours a day have plagued the country since April, knocking at least 1 per cent off economic growth this year and damaging badly the government of President Cesar Gaviria.

Guerrilla attacks on power facilities, labour problems and a six-month drought from last December all contributed to the electricity shortage. The main cause howeverwas financial and administrative chaos in the electricity companies.

A government-appointed commission concluded that 80 per cent of the rationing could have been avoided with proper planning, information and maintenance. Now, the sector faces radical restructuring.

Colombia is over-dependent on hydro-electric power. Thermal plants contribute barely 22 per cent of the country's generating capacity, and at the critical moment only about half of this was operable.

The government says that reservoirs were down to 54 per cent of capacity at the start of the drought and the six regional electricity companies had delayed bringing the thermal plants into service in an attempt to keep costs down.

Things look unlikely to improve much soon. The reservoirs, now at an average 37 per cent of capacity, will start the dry season in December considerably emptier than last year. The rainfall problem has been exacerbated by deforestation and failure to manage the watersheds. Power rationing will probably continue at least until April 1993.

Many of the sector's problems stem from the policies of the 1970s and early 1980s, when the World Bank and Inter-American Development Bank were deeply involved. The two banks loaned $3.6bn to the electricity companies under government guarantee, equivalent to some 80 per cent of the capital invested in expanding power supplies. Generating capacity quadrupled, the number of subscribers tripled, and the sector's debt grew to more than $5bn.

"The banks – they share responsibility for all this," said Mr Rudolf Hommes, the finance minister. Unusually, the World Bank agrees. The World Bank evaluation, concluded in 1991, of its role in the Colombian power sector found many faults.

It found a lack of vision and flexibility, inconsistencies between sectoral policies and macro-economic policy, laxity on quality control and performance standards. Furthermore, lending terms changed abruptly in the late 1970s, so that capital repayments started before hydro-electric plants came into operation. Exchange risks were never discussed and rapid currency devaluation in the mid-1980s expanded the companies' debt burdens. The World Bank and the government argued throughout over tariffs; the rates still average out at 75 per cent of cost, with many residential users receiving 50 per cent subsidies.

The biggest embarrassment has been the ill-starred El Guavio project, north-east of Bogota, five years overdue and absurdly over-budget at $2.5bn. The World Bank admits that when El Guavio was approved in 1981, the wisdom of such big, expensive schemes should have been questioned. The geological risks of tunnelling through the eastern Andean mountains were also known – and proven during 10 years of construction.

Gaviria: badly damaged.

If El Guavio had come on line as originally planned, rationing would not have been necessary. As it is, the attorney-general's office is investigating some 30 cases of negligence and irregularities in connection with the project. Landslides, financial bottlenecks, land purchase problems, contractual irregularities and bad management contributed to the delays.

After tortuous negotiations, the IADB has approved a $150m loan for El Guavio and the national grid, a sum that will be matched by the government, which will issue bonds to raise the funds. The government is also taking over the debts of the bankrupt electricity companies and recapitalising them. The aim is to give the companies more independence; they could eventually bring in private investors.

The government's plans also include a programme to boost gas production and distribution to homes. Residential consumption accounts for 50 per cent of demand in Colombia, since electricity is widely used for cooking and heating.

Mr Hommes also plans to reduce subsidies and make them transparent, and to cut the high electricity losses. Twenty-one per cent of electricity is lost or stolen, because of billing problems and piracy which follow from inadequate distribution equipment and practices.

The emergency programme this year included repairs to thermal plants, the construction of a link to Venezuela, speeding up El Guavio and bringing into operation floating power-stations. Urra 1, a 340MW hydro scheme, near the Caribbean coast, is also being built.

However, the programme is not going smoothly. The contract for the floating power stations has been rescinded after the first barge, supposed to deliver 20MW, generated only a fraction of this after weeks of delay. Meanwhile, electrical engineers are warning that El Guavio will not start up until mid-1993, behind even its most recent schedule.

For the longer-term, the National Social and Economic Council, the government's policy making body, has approved a new 2,500MW expansion plan, and legislation to restructure the electricity sector is going through congress.

The expansion plan, with an estimated $2.7bn cost, raises the share of thermal power to 30 per cent, outlines many smaller, more flexible projects, and stresses distribution, neglected in the past. The multilateral banks are expected to resume lending to Colombia for some of these schemes.

However, financing the expansion plan is proving difficult and there could be rationing again in 1995 and 2002 if the projects fall behind. On top of that, the measures only partly address the long-standing lack of a coherent energy framework with clear objectives.

LDP faction split opens up again

By Robert Thomson in Tokyo

THE split in the largest faction of Japan's ruling Liberal Democratic party (LDP) widened again yesterday when the faction's new chairman, Mr Keizo Obuchi, excluded his opponents from executive positions.

Mr Ryutaro Hashimoto, a former finance minister, was chosen as Mr Obuchi's deputy and other loyalists were given senior positions, while their opponents sought to garner members for a newly-formed "policy-study group", which remains within the faction, but which could become a new faction.

The LDP will be put to the test today at a special sitting of the Diet, Japan's parliament, which must approve an emergency economic package.

It is likely to call a former prime minister, Mr Noboru Takeshita, to give evidence about his alleged dealings with gangsters.

Mr Takeshita is the patron of Mr Obuchi, and if the former prime minister comes under extreme pressure, it could further destabilise the leading faction and the LDP, which has been paralysed since the factional struggle began two weeks ago.

The LDP has yet to settle a dispute with opposition parties over whether Mr Takeshita will give evidence under oath, and these parties could delay the passage of the emergency Y10,700bn (£54bn) economic package to revitalise the flagging economy if their demands for an oath-taking are not met.

The parliamentary session could also serve to focus public attention on Mr Takeshita, who has become the main target for criticism since the resignation two weeks ago of Mr Shin Kanemaru, who had been leader of the party's largest faction.

Mr Kanemaru had violated political funding laws and was also condemned for his dealings with gangsters.

Japan offers to give financial help to industry

By Steven Butler in Tokyo

THE Japanese labour ministry yesterday responded to Japan's deepening industrial recession by offering financial help to 12 industries, including electronic parts, which are suffering from overcapacity.

Subsidies will be used to encourage companies to make permanent cuts in capacity by retraining workers and deploying them in other lines of business. Up to 392,000 workers will be covered by the scheme.

The subsidies, the cost of which is not known, can be awarded for up to a year.

The subsidies are especially notable because they cover a range of suppliers to Japan's most successful and internationally prominent manufacturing industries, such as automobiles and electronics.

Those industries qualifying for subsidies from next month include makers of printed circuit boards, condensers, resistors, connectors, switches, magnetic heads, tuners, speaker and microphone parts and fuses. Also covered are makers of a range of metal and wire manufacturing equipment for supply to the automobile and electronics industries.

Subsidies will be used to encourage companies to make permanent cuts in capacity

Companies in these industries are allowed to apply to the labour ministry for subsidies of up to two-thirds of the salary of affected workers.

The ministry will allow subsidies when operations in a particular company have been suspended, when workers are being retrained, or when workers are redeployed to other businesses.

Japan has a long history of using government subsidies to aid industrial rationalisation, and has earlier used subsidies to reduce capacity in the shipbuilding and steel industries. Japan's policies are often contrasted to Europe, where subsidies have frequently been used to prop up ailing industries that have become uneconomic.

Japan's willingness to use national resources to promote industrial change is often cited as an underlying factor in the country's continued economic success.

Daewoo chief backs out of presidential challenge

By John Burton in Seoul

MR Kim Woo-choong, chairman of South Korea's Daewoo business group, yesterday abandoned plans to stand in December's presidential election.

The announcement came as a relief to Mr Kim Young-sam, candidate of the ruling Democratic Liberal Party (DLP), who feared the Daewoo chairman's candidacy could cost him the election.

Although the 56-year-old founder of the country's fourth biggest conglomerate had little chance of being elected, his candidacy would have reduced support for the DLP and possibly delivered the election to Mr Kim Dae-jung, leader of the main opposition Democratic Party.

The withdrawal of Daewoo's Mr Kim, who indicated earlier this week that he was interested in a presidential bid, may also be a fatal blow to a revolt by dissatisfied DLP members against Mr Kim Young-sam, now the leading candidate in the election.

The DLP dissidents last week formed the New Korea Party (NPK), but have had difficulty in finding a credible presidential candidate. The Daewoo chairman was considered one of the last available prominent figures to lead the party.

Mr Kim Woo-choong said he decided not to enter the election because he needed to concentrate on his business activities. But he may also have bowed to pressure from President Roh Tae-woo, who publicly criticised Mr Kim's planned election bid.

President Roh feared that the Daewoo chairman's entry would help swing the election to Mr Kim Dae-jung.

Daewoo has enjoyed close ties with the Roh administration. Political opponents have referred to the president as Roh Daewoo because of the favouritism he has shown to the conglomerate.

Daewoo, for example, has been given special government support in developing business contacts with North Korea.

There was concern that the government might try to stop Mr Kim's candidacy by applying the same pressure to Daewoo that was meted out to Hyundai, the nation's largest conglomerate, earlier this year when its chairman, Mr Chung Ju-yung, decided to stand for president.

The government campaign against Hyundai, which ended in August without forcing Mr Chung to abandon his campaign, involved state-sanctioned credit squeezes and tax penalties.

Daewoo is believed to be less able to withstand credit restrictions than Hyundai since debts among its 22 subsidiaries total Won7,000bn (£5bn).

Even if official retribution had not materialised, Daewoo would have been weakened by the departure of Mr Kim, who has largely concentrated decision-making in his hands throughout the group's 25-year history.

Investors reacted to Mr Kim's announcement yesterday by sending the share prices of Daewoo companies climbing on the Seoul bourse.

Tajik police were yesterday rounding up rebels loyal to ousted communist president Rakmon Nabiyev as gunmen perched on tanks and armoured personnel carriers to guard the Tajikistan capital against communist attack, Reuter reports from Dushanbe. "We do not want war, but if communists attack our town we will fight to the end," said a teenage volunteer at a checkpoint at the northern approach to Dushanbe. Cumabey Buydukof, a commander of the Dushanbe self-defence forces, said 7,000 men were guarding the city, with co-operation from the Russians. Communist fighters were said to be 30km from Dushanbe. At least 20 people were killed last weekend when several thousand pro-communist gunmen attacked the capital of the former Soviet republic.

Grindlays admits breach of rules

By Stefan Wagstyl in New Delhi

ANZ GRINDLAYS BANK, the Australian-owned group involved in the Bombay stock market scandal, has admitted its Indian subsidiary broke regulatory guidelines.

But the bank's executives, appearing before a parliamentary committee investigating the affair, said they had followed "normal market practice" in the fast-growing and loosely-supervised inter-bank securities market.

The Rs35bn (£800m) scandal, which erupted in April, has resulted in 15 arrests, the liquidation of two small Indian banks and heavy losses at other financial institutions, including Standard Chartered Bank of the UK.

Grindlays was summoned by MPs probing the affair because it was active in the securities market and because it had done business with Mr Harshad Mehta, a leading Bombay stockbroker accused of fraud.

According to Mr Ram Niwas Mirdha, the parliamentary committee chairman, Grindlays executives admitted the bank had broken Reserve Bank of India guidelines by engaging in forward trading in non-government securities when such trades were permitted only in government bonds.

Mr Mirdha said Grindlays also admitted infringing regulations on the investment of funds placed by clients in portfolio management schemes. These rules said funds should be deposited for at least a year, there should be no guaranteed return and there should be a separate account for every client.

Mr Mirdha said the Grindlays team had admitted crediting cheques with a value of Rs5.34bn to Mr Mehta's account even though they had been made payable to Grindlays itself. Grindlays executives said the bank had acted in accordance with "oral instructions" from Mr Mehta. This, Grindlays said, had been in line with market practice.

Most of the cheques were issued by the National Housing Bank, a central bank subsidiary which suffered heavy losses in the scandal and is now demanding the return of Rs5.06bn from Grindlays.

Grindlays, which claims it has not suffered any significant losses, has been ordered by the central bank to repay National Housing Bank. Grindlays is resisting and wants the dispute settled through arbitration.

Israeli budget faces tough time in parliament

By Judy Maltz in Jerusalem

ISRAEL'S finance minister, Mr Abraham Shohat, has defied critics and presented a budget to parliament which emphasises cutting the budget deficit rather than public works spending to cut unemployment.

The 1993 budget proposes an increase in spending on infrastructure and education, tax cuts and a fall in spending on public housing projects, mainly in the occupied territories.

The $38.4bn budget is intended to reflect the reordering of national priorities under the new Labour government.

The budget deficit is equivalent to 3.2 per cent of GDP, compared with 6.2 per cent in the 1992 budget proposal.

"I hope we have the wisdom and the strength to pass the budget without increasing the deficit," said Mr Shohat.

Several ministers and MPs have criticised the budget, saying it does not do enough to cut unemployment.

They have argued for heavier spending on public works projects rather than cutting the budget deficit.

As it appears now, unless job-creating measures are introduced, Mr Shohat will not obtain a majority in parliament for the budget. The budget comes up for a first reading next week, and it must be approved by January 1, the start of the new budget year.

Unemployment, which has risen in each of the past six years, is running at 11 per cent.

According to treasury forecasts, this trend will be reversed in 1993, coming down to 9 per cent by 1995.

The main cause of growing unemployment has been the huge increase in the workforce because of immigration from the former Soviet Union.

The budget forecasts that inflation will stabilise at about [illegible] per cent next year. In addition, it expects that business activity will grow at 4 per cent, less than in the previous two years, mainly because of the sharp cuts in government spending on housing. Exports are forecast to rise by 8.5 per cent a year over the next three years.

The parliament will be asked to approve, along with the budget, a series of proposals designed to open the market, increase competition and break monopolies and cartels.

● Israel yesterday asked for an end to economic boycotts and arms build-ups in the Middle East as multilateral talks involving 40 nations on development in the region opened, AP reports from Paris.

The two days of discussions come under the framework of the Middle East peace talks that opened in Madrid a year ago.

Mr Yaacov Frankel, head of the Israeli delegation and the Bank of Israel, said: "Joint co-operation between the peoples of the region could be the decisive factor".

UN chief accepts resignation of Somalia envoy

By Michael Littlejohns in New York and agencies

MR BOUTROS Boutros Ghali, the UN secretary-general, yesterday accepted the resignation of his outspoken special envoy in Somalia, Mr Mohammad Sahnoun, further complicating already difficult international peace-making efforts there.

Mr Sahnoun, a highly regarded former Algerian ambassador to Washington and Paris, incurred the UN chief's displeasure for his critical remarks about the alleged mishandling of the Somalia tragedy by the international community.

In a recent television interview, he said the tardy UN response as Somali children were dying by the thousands in a country racked by famine, anarchy and civil war, should be the subject of a full-scale investigation.

UN relief officials protested at his remarks and Mr Boutros Ghali, who has himself criticised the delays, was forced to reprimand his representative.

With the US, Britain and France, all admirers of Mr Sahnoun's political skills, eager to defuse the row it had been hoped that he would withdraw his resignation.

Mr Sahnoun confirmed his departure at a tearful news conference in Mogadishu and left for Kenya after eight months as special representative.

Relief workers in Somalia mourned his departure and said he was a casualty of the very bureaucracy he blamed for failing to save hundreds of thousands of lives.

"Like millions of Somalis, Sahnoun has become a victim of the UN system," said Mr Mike McDonagh, head of Somalia's Irish Concern relief charity.

"He was open in his criticism, all of which was justified, and now the UN is hitting back. He's not the loser, Somalia is," said one diplomat.

"It was no wish of mine to leave Somalia and all the wonderful people who have given, and continue to give, at great risk to themselves, their time and energy to save the lives of the starving populations of Somalia," Mr Sahnoun said on departure from Mogadishu.

He said he had vainly offered "despite bitter experiences with the UN" to stay on temporarily to help deployment of UN relief guards in Somalia and a national reconciliation conference he was organising.

He said he would continue to work with private relief organisations, whose trust he coaxed back after a period in which relations with the UN were strained.

Unita troops blockade Angola's second city

TROOPS of the former rebel movement Unita blocked all entrances to Angola's second city Huambo yesterday and shelled the nearby town of Caala throughout the day, Portugal's TSF radio said, Reuter reports from Lisbon.

Huambo airport was closed and local businesses shut down, the radio said in a report from the Angolan capital Luanda. Civilians in Huambo were looking for safe places in the event of possible fighting and some had gone to the airport in the hope of leaving the city, it said.

Angolan state radio said the attack on Caala was part of a Unita attempt to lay siege to Huambo 12 miles away.

The ruling MPLA (Popular Movement for the Liberation of Angola) has accused Unita of massing troops in the interior and occupying several towns since last month's elections.

Unita, led by Mr Jonas Savimbi, lost last month's UN-supervised general elections that were due to set the seal on a peace agreement last year ending 16 years of civil war.

Talks between Unita and the MPLA to pave the way for a peace summit between Mr Savimbi and President Jose Eduardo dos Santos have reached an impasse.

Malaysia hell-bent on maintaining rapid growth

Kieran Cooke looks at the problems raised by six years of economic success

LAST MONTH Dr Mahathir Mohamad, Malaysia's prime minister, launched what was described as the single largest property development in the world – a new city centre for Kuala Lumpur, with two 85-storey office towers as the main feature.

The development, which will cost M$3bn (£730m) in its initial phase, is seen by some as a symbol of Malaysia's new-found economic confidence. But to others it is a questionable prestige project – another sign that Malaysia is bedazzled by its own economic success.

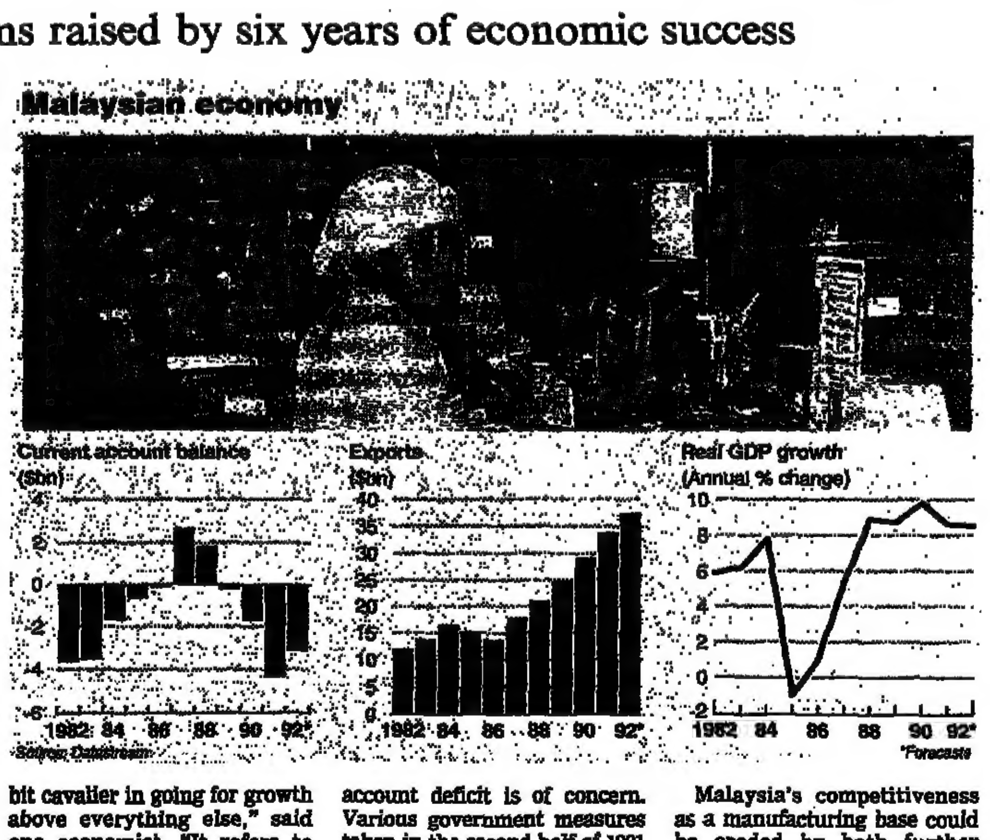
Today Mr Anwar Ibrahim, the Malaysian finance minister, delivers his 1993 budget to parliament. Mr Anwar is in a position that most finance ministers would envy: Malaysia has one of the world's fastest growing economies.

For a sixth year, the economy will grow by more than 8 per cent in 1992 – government projections suggest 8.5 per cent for 1992 and 8 per cent for next year. Though export growth has slowed as a result of the downturn in Malaysia's main markets in Europe, the US and Japan, exports are still likely to grow by nearly 11 per cent this year.

The country is industrialising fast. In the early 1970s more than 80 per cent of exports were commodities – mainly rubber, tin and petroleum products. In 1992 nearly 70 per cent of exports will be manufactured goods.

According to government projections, per capita GNP will rise 11 per cent this year to M$7,554. Unemployment problems of a few years ago have given way to serious labour shortages.

Anwar Ibrahim: 'happy problems' of inflation and labour shortages may lead to belt-tightening measures in today's budget



Managing economic success is the main problem facing Mr Anwar.

The government says it has been restraining economic growth to prevent overheating. But serious infrastructural and other strains are increasingly evident, raising doubts about the government's growth management policies.

Kuala Lumpur's traffic jams are rapidly becoming as bad as those in Bangkok or Manila. There are growing power shortages and supply disruptions.

A power failure in September blacked out most of peninsular Malaysia for several hours.

A fire at Kuala Lumpur airport earlier this month disrupted air traffic for more than two weeks.

"The government has been a bit cavalier in going for growth above everything else," said one economist. "It refers to 'happy problems' of inflation and labour shortages. But these are very real and have to be tackled effectively. If not future growth will be threatened."

Last year Mr Anwar, newly appointed and seen as the likely successor to Dr Mahathir as prime minister, surprised many by delivering a mildly expansionary budget.

Finance officials insist they have not been reckless but some government projections have gone seriously awry.

At the beginning of last year the ministry of finance forecast a current account deficit of M$4bn for the year. By the end of 1991 the deficit had reached M$12bn.

The government now concedes that the current account deficit is of concern. Various government measures taken in the second half of 1991 and early 1992 have resulted in a substantial drop in imports. However, a growing deficit in services, which includes "invisibles" such as substantial profit repatriations by foreign companies, will result in a projected M$7.9bn current account deficit this year.

Inflation is another problem. Earlier projections were for an inflation rate of below 4 per cent this year.

Despite various monetary measures, including high interest rates which in turn have driven up the value of the ringgit, the Malaysian dollar, the final inflation figure for the year is likely to be close to 5 per cent.

Sharp rises in food prices have hurt the poorer sections of the community the most.

Malaysia's competitiveness as a manufacturing base could be eroded by both further increases in the ringgit's value and wage rises.

Wages in the manufacturing sector increased by 9.6 per cent in the first half of 1992 against 6 per cent a year earlier.

In the public sector wages are going up by between 8 and 10 per cent this year.

While Malaysia continues to be a favourite destination for foreign investors, the slowdown in the industrialised world has caused a drop in inward investment.

Government officials predict a fall of 7 per cent in foreign investments this year to M$10.4bn.

A degree of belt tightening is likely in today's budget.

Some incentives for foreign investors might be withdrawn and a drop in corporate tax rates is likely. Hints have been made that Mr Anwar may announce the phased introduction of value added tax.

Cuts in some areas of government spending are likely to be announced.

But the government is committed to an increase in development expenditure next year – to M$10.1bn from M$8.6bn in 1992. The range of projects being undertaken in the coming years is extremely ambitious.

Between M$8 and M$12bn will be spent on a new international airport outside Kuala Lumpur. Malaysia Airlines, which is more than 50 per cent owned by the government, is purchasing M$10.6bn worth of new aircraft.

Infrastructural facilities are being built in preparation for the Commonwealth Games, to be held in Kuala Lumpur in 1998. Plans are being finalised for a second home-produced car manufacturing plant.

To meet projected economic growth targets – set at 7 per cent in each year up to 2020 – there are plans to increase power supplies fourfold at an estimated cost over the next 10 years of M$40bn.

The government realises that it cannot possibly bear the cost of all these projects.

Financial backing from the private sector, both domestic and foreign, is vital.

In the past Malaysia has confounded those who accused it of running too fast.

There is very little talk of any slowdown or notice being taken of the chill economic winds blowing from elsewhere.

And the construction crews are already at work building those new symbols of success in central Kuala Lumpur.

FT survey names UK's leading forecaster

By Peter Marsh, Economics Staff

BRITAIN'S most accurate economic forecaster during the recession is Mr Paul Turnbull, chief UK economist at stockbrokers Smith New Court according to an FT survey.

The Treasury only manages 19th place out of 41 forecasting groups, in the FT analysis which measures the accuracy of growth projections in the recession.

The FT's survey coincided with the announcement by Mr Norman Lamont, the chancellor, of an independent forecasting panel to help with official Treasury projections.

The FT's assessment, which has taken in more than 3,000 individual forecasts, is based on records of what individual economists said about the economy on a monthly basis over the past three years.

While virtually all UK economists have performed poorly in predicting the extent of the slowdown, the Treasury's forecasting record is significantly worse than other groups. Four of the top 10 forecasters are members of the "Liverpool Six" group of monetarist economists who warned early last year that the recession would be protracted and that Britain might have to leave the European exchange rate mechanism.

Wooden spoons for inaccuracy go to the organisations at the bottom of the FT's list. These include City University Business School, Nomura and Credit Suisse First Boston.

Mr Turnbull, who is 39 and has worked at Smith New Court since 1986, said yesterday: "It's no surprise I have come out top in the survey. My forecasts have been bloody good." His latest forecast for 1993 is that the economy will contract by 1.1 per cent, followed by weak growth of 0.6 per cent next year.

Major sways doubters on Europe

By Ivo Dawnay and Ralph Atkins

A FIGHTING speech by Mr John Major seemed last night to have convinced many Tory Euro-sceptics to back the government in next week's crucial debate on the Maastricht treaty.

In a frank but conciliatory performance that won widespread compliments from all sections of the party, Mr Major was reported by several MPs to have reestablished his leadership credentials and put many of his opponents to flight.

It remains unclear, however, whether the prime minister's highly personal appeal to the loyalty of a packed meeting of the so-called 1922 committee of backbenchers will prove enough to ensure that Wednesday's vote will be won by the government.

Mr Major stressed that he would not try to "ram" the Maastricht bill through the Commons. But he emphasised the need for party unity and insisted the government's European policy was "central" to its efforts to achieve economic recovery.

The party's backing was also essential to help the government in tough negotiations to come with Britain's European partners. "There is an absolute necessity to remove the uncertainty of the European issue," he said.

Mr Major also pledged that next month's Autumn Statement would include a package of economic measures that would raise the morale of the Tory backbenches and admitted learning "a salutary lesson" from the coal debacle.

His speech came after the cabinet threw down the gauntlet to his Conservative Eurosceptic rebels by opting for a head-on confrontation over the motion now set to be debated at next week's debate.

His face-to-face meeting with loyalists and critics came after the cabinet had unanimously backed the high-risk strategy of tabling a substantive motion for the debate.

Earlier the anti-treaty faction continue to claim that some 60 backbenchers are ready to defy the leadership and vote against their leaders.

Lord Tebbit, the former party chairman, also returned to the fray, using a speech to Henley Young Conservatives to call on the rebels to defeat the government or force a postponement of the ratification process until after the Edinburgh summit in December.

Ministers took their decision aware that Mr Paddy Ashdown, the Liberal Democrat leader, had pledged in a letter to order his 20-strong party to back a motion that "advances the Maastricht process".

But the letter also warned Mr Major that he would be opposed if he presented "any motion in terms of confidence in yourself or your government".

Senior Conservative strategists are calculating that, for the same reason, Labour's public declaration that it will vote against the government whatever its terms will aid Mr Major's high-pressure battle for hearts and minds.

Aerospace workers take to the streets

By Paul Betts, Aerospace Correspondent

MORE than 2,000 UK aerospace workers from all over the country yesterday marched to the Houses of Parliament to lobby for government intervention to save jobs in the hard pressed aerospace industry.

Union leaders warned the whole industry, Britain's biggest exporter of manufactured goods, was now at risk. After losing 40,000 jobs during the last two years, a further 70,000 jobs could now disappear unless the government took urgent action to support the industry, the unions claimed.

With the slogan "keep aerospace flying", the aerospace unions urged the government to proceed as fast as possible with the European Fighter Aircraft project even if Britain's three other partners including Germany, Italy and Spain pull out.

The unions are also asking the government to launch a plan to help the defence sector diversify into civil activities and the retention of British Aerospace's regional jet manufacturing operations in the UK.

Trevor Humphries

Flying the flag: Aerospace workers march through central London yesterday in protest at cutbacks in British aircract manufacturing

Governor of central bank defends supervisory role

By Robert Peston

MR ROBIN Leigh-Pemberton, the Governor of the Bank of England, last night denied that the Bank is timid in using its powers to prevent bank fraud and he also defended its overall approach to the supervision of banks.

He was responding to Lord Justice Bingham's recent report into the Bank's role as supervisor of the Bank of Credit and Commerce International (BCCI), the corrupt bank closed in July 1991.

The report criticised the Bank for on occasion being unaware of the scope of its powers to intervene in BCCI's affairs and wrong not to have taken responsibility for monitoring BCCI's worldwide activities many years before the bank was closed.

Speaking last night, however, Mr Leigh Pemberton said he did not accept that the Bank is "timid in the use of our powers".

He said that since 1986 the Bank had used its powers under the Banking Act to close down 17 unsound banks and restrict the activities of 28 potentially unsound banks. "These are not the acts of a timid supervisor", he insisted.

In a further 35 cases, the Bank has instigated "remedial programmes" at banks, to force those banks to restructure their businesses or change their management.

At BCCI, the Bank attempted just such a remedial programme in 1990, rather than closing it down. Mr Leigh-Pemberton insisted that this was the correct strategy on the basis of the information then available to the Bank.

The Bingham report, however, shows that the Bank had information about the massive fraud at BCCI at the beginning of 1991 which should perhaps have led the Bank to close it down earlier than July.

Mr Leigh-Pemberton also said he rejected the "totally offensive and wholly unfounded allegations, made here and abroad, that the Bank was somehow party to a cover-up, or colluded with BCCI, or even that our officials took bribes".

Nonetheless, he accepted that "we do have lessons to learn and learn them we will". He pointed to a "major strenthening of our team and our structures" and said the Bank would be "more alert to signs of possible criminality".

Lamont sets out agenda for British economy

IN HIS speech yesterday Mr Norman Lamont, chancellor of the exchequer, said: It is just six weeks since we left the ERM. But it is already clear that the decision marked a watershed. We are now in an entirely different policy environment. We are outside the ERM and are likely to remain so for some time. And with a floating pound we have had more flexibility to reduce interest rates without prejudice to our goal of permanently low inflation.

But the wider world has changed too.

Events in Europe have been dominated by Germany's unique economic circumstances. Having faced exceptionally high real interest rates over the last year as Germany dealt with the consequences of reunification, we are now having to contend with a rapid German slowdown.

Here in Britain, the frustrated hopes of the last year have led to a decline in business and consumer confidence. A deteriorating world environment, political uncertainties, a spate of industrial redundancies and the removal of a central pillar of the government's monetary policy – this is an extraordinary set of events. So it is not at all surprising that the surveys of business and consumer opinion that we have seen since 16 September have revealed confidence to be weaker.

I want to set out why the new conditions can be turned to Britain's advantage and at long last bring us out of recession.

Rebalancing policy

Our first priority has been to re-establish a stable and predictable policy framework. Since sterling was forced out of the ERM, we have re-emphasised the continuity of the government's objectives – sound money, low taxes, open markets and free trade.

The significant depreciation in sterling seen over the last six weeks – not just against the currencies of Europe, but also against the dollar – gives British exporters greater opportunities to win business in foreign markets.

And the greater flexibility we now have outside the ERM, together with the reduction there has been in German market rates, has also allowed me to take a further two points off interest rates. British industry now has interest rates which are the lowest in the European Community.

These developments have undoubtedly enhanced the prospects for recovery.

Soon after we left the ERM, I said monetary policy had been tighter than was required to keep inflation on a downward track. That does not mean that the painful war we waged against inflation over the last few years was not worthwhile. Far from it – that was a war we had to win.

But the goal of the government's macro-economic policy has never been simply to defeat inflation. Low inflation is not just an end in itself; it is also the means to sustainable growth and secure employment. It is the vital precondition for the economic stability upon which a nation's future prosperity ultimately depends.

But we have always recognised that policy can become too tight.

Leaving the ERM was a setback, but it has given us the opportunity to rebalance our policy to take greater account of the risks to the world economy. This does not mean that the government has gone soft on inflation. But the dramatic progress we have made in getting inflation down does allow me now to give greater weight to securing an early resumption of growth.

Out of recession

Government and industry need to work together to re-build confidence.

What the government can do is to set out as clearly and precisely as possible how we intend to steer the economy back towards the growth we all want to see.

I have drawn attention already to the relaxation of monetary conditions I have made over the last few weeks. That was fully justified by the excellent medium-term prospects for inflation; and in making decisions about further cuts in interest rates, I shall continue to take no risks with our long-term inflation goal. But if slashing interest rates were all that was required to generate growth, there would not be a single poor country left in the world. But let me assure you – I have no desire to keep interest rates any higher than is necessary to meet the government's inflation objectives.

Over the medium-term the prospects for interest rates in this country will depend as much on fiscal policy as on the monetary stance. And that is why the new public expenditure plans I shall be announcing in the Autumn Statement are so important.

But if capital programmes are to come first, government has to take a lead from industry and keep a firm grip on its current expenditure. And I have also been determined to find ways of giving the private sector a greater role in financing capital projects. I shall be announcing my proposals in the Autumn Statement.

I know that many people have been concerned, over the years, that the government does not adequately distinguish between current and capital spending. There are good reasons for this, but having looked at this issue again, I have concluded that the time has come to make a change. From the first Unified Budget in December 1993, government accounts will be drawn up in a way which makes a proper distinction between current and capital transactions.

Growth

The key to improving the economy's growth performance over the longer-term is continuing supply-side reform.

So the government will be pressing on with our programme of deregulation and privatisation; with our reforms of education and our policies to promote fair competition both at home and abroad. A successful conclusion of the GATT round and the completion of the Single Market will provide enormous opportunities for British industry. British firms must be fully involved in the European market. That is why the government attaches so much importance to ratifying the Maastricht Treaty. We cannot afford to be left on the fringes while our partners make the rules.

But the government cannot press a button and see the economy spring to life. But we can examine every policy option and ask ourselves – does this support industry? Will it help confidence? Will this get the economy going? That is what we shall be doing in the weeks and months ahead.

Forecasting

Much of the criticism of the Treasury's forecasting record has been misplaced. The last few years have been extremely difficult ones for forecasters who have been getting it wrong all over the world.

Forecasting means trying to predict the decisions of millions of individuals, all with the freedom to spend, invest or save as they chose. With these forces to contend with, the surprise is not that forecasters sometimes get it wrong, but that they ever get it right!

I propose to invite a number of independent forecasters to join a new Forecasting Panel, to meet at regular intervals, and then publish an assessment. This would include the full range of forecasts made by individual panel members, as well as some summary of the central view and the risks attached to it.

The Treasury will, of course, retain its own forecasting capability. But my proposals will underline that the Treasury forecast is only one of several which inform Government policy decisions.

This change should help to strip the mystique which surrounds forecasting and in this way, lead to a better elucidation of policy itself.

Monetary Policy

I set out a few weeks ago how monetary policy will operate now the pound is floating. This contains an important innovation: a target range of 1-4 per cent for inflation. The government aims to get inflation in the lower part of that range by the end of this Parliament.

In judging whether we are on track to meet that objective, we will take account of the behaviour of the monetary aggregates, narrow and broad; of asset prices, particularly house prices; other indicators of inflationary pressure; and of course, the exchange rate. Overall, policy will operate broadly in the way that it does in many other countries, such as the US, Japan and Germany.

There are three aspects of this policy which are worth elaborating. One is that prospective, not current, inflation will be our guide. Monetary adjustments take time to have effect, and a low inflation rate today is not in itself a reliable cue for a relaxation of policy.

Another issue is the role of the exchange rate. Some people insist that movements in the exchange rate are just a change in relative prices which need not affect the rate of inflation. Others argue that disinflationary forces are currently so strong, that such pressures pose no threat.

I am not persuaded by either of these arguments. The first might apply to a large, relatively closed economy, but it certainly does not hold for Britain. And those who blithely contemplate an ever lower exchange rate clearly have not understood what import higher costs mean for business. It would be a brave man who totally discounts the risk of these being passed through to domestic prices.

Finally, there is the argument that this set-up is too judgmental. Sometimes I think that this charge is level led mainly by people working in the financial markets, who would simply like me to make their lives easier.

We are moving from a largely rules-based system to one that is more discretionary.

The need for judgment is obviously greater outside the ERM, which makes it all the more important that it is exercised in a consistent way. I propose, therefore, to implement three changes to make the formation of policy more transparent and our decisions more accountable.

First, I intend to publish a Monthly Monetary Report following the regular meetings which take place between the Governor and myself. This will, apart from certain market sensitive items, set out the information on which our policy judgments are based, showing the bad news with the good, from month to month.

Second, whenever a change in interest rates takes place, we will provide an account of our reasoning, much as we did when I cut interest rates on 16 October. By comparing the accounts over time, the markets will be able to make up their own minds about whether or not a consistent approach is being applied.

Finally, I have asked the Governor to provide a regular report on the progress being made towards the government's inflation objective. This will be published in the Bank's Quarterly Bulletin.

Together with my initiative on forecasting, these changes mark a shift away from the excessive secrecy which has up to now shrouded much of the policy-making process.

Openness and accountability. Clear policies, steadily pursued. Sound money, low inflation, a firm approach to public expenditure and a determined attempt to ensure that resources are allocated to programmes and projects that will support Britain's recovery. These are the objectives the government has set itself and these are the objectives we will continue to pursue, with purpose, vigour and determination.

Britain in brief

Row grows over BA deal for Dan-Air

Sir Colin Marshall, chief executive of British Airways, has hit back at airlines which criticised British Airways' agreement to rescue Dan-Air, the severely troubled British carrier.

He said if British Airways had not stepped in Dan-Air would have folded completely last week. Every other rescue plan for the airline had been exhausted and there were no other interested buyers or investors, inside or outside the airline industry.

The rescue, under which British Airways will buy Dan-Air from Davies & Newman Holdings for £1, has been bitterly attacked as anti-competitive by rivals such as Virgin Atlantic and British Midland. The Norwegian carrier Braathens, meanwhile, announced it will start a London Gatwick to Oslo service from November 11 taking up the route following the demise of Dan-Air and the recent collapse of Norway Airlines.

Warnings on 999 computer

Mrs Virginia Bottomley, Health Secretary, was warned that the software house which installed the London Ambulance Service's troubled computerised dispatch system for 999 emergency calls was small, virtually unknown and might prejudice the success of the project.

Mr Robert Jones, the Conservative MP, issued the warning last year in a letter to Mrs Bottomley. The London Ambulance Service, replying on her behalf, said all the computer companies involved had the necessary experience.

The new system, installed by Systems Options of Aldershot, has been all but abandoned while a review is carried out and the ambulance service has returned to manual call-logging. Mr John Wilby, chief executive of the LAS, resigned on Wednesday.

Coal threat to environment

Environmental considerations may have to take second place in the government's review of energy policy which has been prompted by the recent row about coal pit closures.

Ministers admit that the UK's commitment to reducing harmful emissions, which was signed by Mr John Major at the Rio summit only last June, is incompatible with trying to save more of the coal industry.

In common with other EC countries, the UK has pledged to reduce its emissions of carbon dioxide to 1990 levels by the year 2000. But this was based on the assumption that the power generation industry would steadily switch from coal to gas in the years ahead.

DTI concern at Iraqi exports

Embarrassing "dirty washing" in the Department of Trade and Industry would be discovered by an investigation into the exporting of equipment for the Iraqi defence procurement programme, a senior government official warned his colleagues, a London court has been told.

The warning was given by Mr Michael Coolican, an assistant secretary at the DTI, in June 1990 after Customs began investigating both the supergun affair and the exporting of other equipment to Iraq. In a memo, read out in court, Mr Coolican said: "The dirty washing liable to emerge from the actions of Customs and Excise will add to the problems posed by the gun."

Three former Matrix Churchill directors, Mr Paul Henderson, Mr Trevor Abraham and Mr Peter Allen all deny breaching export regulations in exporting machine tools to Iraq. The trial continues today.

Freight carriers fear surcharges

British freight carriers have lodged a formal complaint with the Office of Fair Trading alleging that cross-Channel ferry operators are colluding in the introduction of currency surcharges on cross-Channel freight tariffs.

The Freight Transport Association, a trade body representing carriers, says there are "clear signs of concerted practice" in the decision to impose the surcharges. The ferry companies deny the allegation.

In the last few days, all the biggest ferry operators – including P&O European Ferries, Sealink Stena Line and Brittany Ferries – have announced the introduction of identical scales of surcharges from November 1 for customers paying in sterling. They say devaluation has made the surcharges necessary because the value of their sterling receipts has fallen in relation to their cost of their foreign currency outgoings.

World Service seeks flexibility

The government should give up the right to tell the BBC World Service which languages to broadcast and also move towards greater flexibility on the transmissions.

The plea for further de-coupling of the World Service, which broadcasts to a global audience of 120m, from its paymasters the Foreign and Commonwealth Office was urged by Mr John Tusa.

"Starting or stopping language service should be as much a part of the World Service's managerial freedom as extending the time they are on the air," Mr Tusa said.

Weak pound helps oil output

A weaker pound against the dollar boosted UK North Sea oil revenues by 6 per cent in September, according to the latest monthly oil index from the Royal Bank of Scotland. Revenues rose from an average of £19.2m a day in August to £20.4m in September, despite a fall in output of 1.4 per cent.

Pay deal agreed at Jaguar

Manual workers at Jaguar, the loss-making luxury car manufacturer, have agreed to a two-year pay deal worth a minimum of eight per cent linked to continuing widespread changes in working practices. Union officials described the deal as fair and realistic given the current economic climate.

Warning on traffic growth

Mr Michael Howard, environment secretary, has warned that Britain's traffic growth would have to be curbed if it was to be reconciled with environmental concerns.

Speaking at a European Environmental Bureau seminar in London, Mr Howard said the time had come to ask whether the forecast trends in traffic growth were sustainable – and strongly hinted that they were not. "We must stand back and seek to promote changes in patterns of transport use – both the amount of travel undertaken and the mode which people use," Mr Howard said.

Further talks planned at ITN

Shareholders of Independent Television News are to hold further talks with the consortium offering to take it over and inject £30m to cover a property deficit. No alternative has come forward which makes it more likely that at least a modified form of it may succeed. The consortium consists of television groups Carlton, Central and LWT plus Reuters news agency.

Office workers to be laid off

One thousand office contract workers engaged by British Nuclear Fuels to help get its new £2.8bn Thermal Oxide Reprocessing Plant into commercial operation are being told this week they are to be laid off in a month's time. BNFL, which recruited the specialist contractors, including engineers and planners, earlier this year, had set a December 1992 target for beginning Thorp's active commissioning, when radioactive material will be fed into the plant for the first time.

Employers still have vacancies

In spite of the recession, employers still have vacancies which are hard to fill vacancies, according to a Department of Employment survey.About 16 per cent of employers reported having hard-to-fill vacancies at the time of the interviews – which were between April and early July 1992.

Stamping out food poisoning

The UK claimed a world first this week in the battle for improved food safety with the launch of a £7m scheme that uses computer models to predict the growth, death and survival of common food-poisoning bacteria.

The new product, Food Micromodel, could make a major contribution to the food industry's competitiveness by speeding up development times in fast-growing product sectors such as convenience foods. It is already generating worldwide interest.

The scheme, funded by the Ministry of Agriculture, could also allay public worries about potential health hazards from ready-to-cook and other foods following recent outbreaks of poisoning by Salmonella or Listeria bacteria.

Nicholas Soames, the food minister, said the product offered "huge benefits" to the food industry. It would not have been possible without collaboration between the food industry and the public sector.

The aim of the scheme is to reduce the need for the food industry to use time-consuming "challenge-testing" to measure the bacterial safety of food. These are only relevant to the foods and conditions tested.

In contrast, Food Micromodel will use a comprehensive database drawn up from tests over the past three years, along with commercial and academic data, to generate predictions for how a particular bacteria would behave in a wide range of foods and conditions.

The system could be used by a food manufacturer to discover quickly the microbiological consequences of, for example, reducing a product's salt content. Alternatively, a user could check which formulation for a new product most effectively inhibited the growth of food-poisoning bacteria.

The ministry has licensed Food Micromodel to the Gloucestershire-based Campden Food and Drink Research Association which, along with five other research organisations, will provide expert centres for users to contact by telephone.

Soames made clear that Food Micromodel will be self-financing from 1994, when the ministry's five-year involvement in the product ends. A Food Micromodel hotline has been set up on 0386 840274.

Andrew Baxter

John Young, who retires today as head of Hewlett-Packard, gives **Louise Kehoe** his thoughts on US industrial competitiveness

Man with a mission

John Young is vacating the corner office on Hewlett-Packard's "executive row" this week, but he is not giving up his 10-year crusade to boost the international competitiveness of US industries.

"Securing America's technological leadership is one of the most critical issues we must address in order to ensure the health of our economy and our nation's competitiveness," says Young.

It is a message that the HP president and chief executive has delivered many times over the past decade. Young's calls to make technology leadership a national priority have been given a new edge, however, by his recent decision to publicly endorse Bill Clinton, the democratic presidential candidate.

A life-long republican, Young shocked colleagues when he joined Clinton at a campaign rally in Silicon Valley last month. It is now evident, however, that Young has been instrumental in shaping Clinton's "private sector-led, government-encouraged" National Technology Policy.

By choosing sides, Young has made competitiveness an issue in the race for the White House. His action has also sparked rumours that he may be slated for a role in the cabinet of would-be president Clinton.

This is not the first time that Young has been viewed as a prospective candidate for political office. In the past, however, he has defused such talk by insisting that he "already has a job".

No more. Young, 60, retires after a 15-year stint at the helm of Hewlett-Packard during which the company has been transformed from a manufacturer of electronic instruments and calculators into one of the world's leading computer suppliers. Annual revenues have grown from $1.3bn (£800m) at the beginning of his tenure to an expected $16bn this year.

Yet as he ends his career at HP, it is Young's dogged efforts to persuade successive US administrations to recognise the critical role that technology could play in putting American industry back on to a growth track that are commanding attention.

Young began his mission in 1983 when he was drafted by President Reagan to head a commission on industrial competitiveness. Although the commission succeeded in drawing attention to declining US technological leadership, its call to action was rebuffed by the Reagan administration.

Bitterly disappointed, but determined to move forward, in 1985 Young formed the Council on Competitiveness, a private-sector, bipartisan group which includes industry leaders, academics and labour representatives. (Not to be confused with Vice President Dan Quayle's council of the same name, which critics charge is a "haven for special interests" because it has halted the implementation of numerous environmental and other regulations.)

In a seminal report published last year, the council called for Bush to "announce his intention to increase dramatically the share of federal research and development expenditures that support critical generic technologies". The president responded by approving joint projects between industry and the federal laboratories.

Young also gives the president credit for "some real progress in moving from a science policy to a science and technology policy," and hails the administration's acknowledgment of the role of the government in supporting generic pre-competitive research and development as a "landmark change".

Young regards much of the competitiveness agenda as bipartisan. He has been won over, nonetheless, by Clinton's enthusiastic response. "America cannot continue to rely on trickle-down technology from the military to maintain competitiveness in its high-tech and manufacturing industries," argues the democratic candidate.

Clinton has pledged to refocus the work of the federal laboratories on technologies that enhance industrial performance; establish education and training programmes for highly skilled jobs; create a civilian research and development programme; and offer tax incentives for private-sector research and development.

One democratic proposal that has excited Young is the plan to invest public funds in a "21st century infrastructure", a national communications network that would serve as a "technology driver". This would set a fast pace for related developments in the private sector.

Yet isn't there an element of self-interest in an electronics company executive championing technology? "Technology is key to winning the competitiveness battle," Young maintains. "The health of America's high-tech industry isn't only the concern of that industry, because technology has benefits that cut across different industries and drive national productivity and economic growth."

The whole country, rather than just the high-tech industry, or indeed HP, would be the beneficiaries, he asserts. Declining competitiveness has a direct impact on individuals, Young stresses. "Our ability to increase our standard of living and that of our children is at risk," he says.

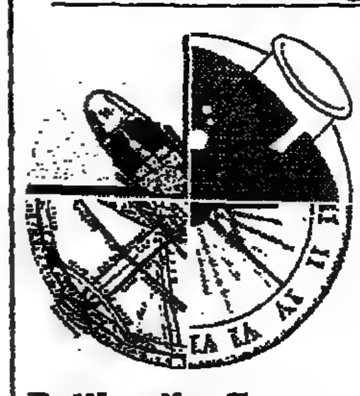
With republicans and democrats apparently agreed upon the importance of pursing industrial competitiveness, why is Young backing Clinton?

"It is not just a matter of technology policy, it is a matter of leadership," says Young. Clinton, he believes, has the ability "to get over this gridlock that we have in Washington [between the administration and Congress] and make changes."

Little wonder that some people in Washington believe Young will be invited to join Clinton's cabinet, if he is elected. Betraying at least a mild interest, Young observes that "the worst thing that could happen would be for Clinton to win and the liberals to take over his agenda. The best thing we in the business community could do would be to give him our support for a centric position".

So will Young go to Washington to help Clinton be a "centric" president? "It is hard to comment on something that is so speculative," he demurs. After 15 years on the firing line in the electronics industry, Young says that he would like to take six months to decide "what I want to do with the rest of my time".

Worth Watching · Andrew Baxter



Putting the fizz back into soda

The relentless search for new ways to package consumer products has taken a new turn with the launch of a revolutionary system intended to put the fizz back into bottled soda water.

LMG Fibrenyle, part of the Canadian packaging company Lawson Mardon, has developed a patented system for Coca-Cola Schweppes Beverages which combines the appearance of a glass soda syphon with a 1.5 litre PET (polyethylene terephthalate) bottle.

Instead of the traditional glass soda syphon, the system is based on a "petasol", LMG Fibrenyle's pioneering plastic aerosol. The system maintains the fizz until the syphon is empty, unlike the immediate loss of carbonation when a conventional bottle of soda water is opened.

The PET container is lighter and safer than glass, and can also hold twice as much liquid. LMG Fibrenyle: UK, 0502 713700.

Smelly shoes get marching orders

Smelly shoes will be controlled within five years under the new UK Environmental Protection Act, writes Daniel Green.

The problem is not sweaty feet but solvent-based adhesives used to glue soles and uppers. The solvent escapes into the atmosphere during manufacture, contravening rules on emissions.

Green alternatives have problems: hot melt adhesives require new and expensive specialised machinery, while traditional water-based glues slow the production line so the water can evaporate, and can fail when the shoe gets wet.

Adhesives-maker Evode thinks it has come up with a solution. Its Aquadur footwear glue is a suspension in water rather than a solution so once it has set it resists water.

A test batch of 100 dozen pairs of ladies shoes using Aquadur will go on sale at Marks and Spencer before Christmas. Evode: UK, 0785 57755.

Top marks for polymer pencils

It takes about 30 manufacturing operations to transform graphite, wood, glue and paint into pencils. But where wood is in short supply, polymer pencils could be an attractive alternative.

That is the view of Krupp Bellaform, a German manufacturer of extrusion lines, which has developed a process for the continuous production of pencils made of graphite, polymer compound and paint.

About 7,000 pencils 168mm long and 7.5mm in diameter can be produced an hour using the new process – which is simpler than that for wood pencils – leading to reduced production costs.

But it also opens up lucrative market opportunities, says Krupp, because the polymer casing can be formed into all manner of shapes – grooved, serrated, heart-shaped. Krupp Bellaform: Germany, 06132 7880.

Squeezing videos down to size

A high-definition digital videocassette recorder that uses cassettes about three-quarters the size of a standard VHS tape and has a playback time of two hours has been developed by NEC of Japan.

Previously, digital VCR gave high-quality recording but lacked superior compression technology, so the machines were large and cumbersome.

NEC's new Hi-Vision digital VCR uses a picture compression technique that achieves very high compression rates without spoiling the picture; a magnetic head for which NEC claims the highest recording density in the industry; and new ultra-thin (11 micron) tape.

In combination, these technologies compress the signal to about one/fifth the conventional rate. NEC sees applications in the home and for large-screen displays. NEC: Japan, 03 3798 6511.

MANAGEMENT

PERKS: **Richard Donkin** looks at in-house corporate gyms

Pushing pens and pumping iron

If the definition of a company perk is a benefit mutually useful to both company and employee then the provision of corporate sporting facilities has long fallen within this category.

What originally started as a social idea designed to weld team spirit between employee and employer is now coming to be seen by employees as a right rather than a privilege. Established UK companies such as ICI and Midland Bank have sports grounds and social clubs with histories almost as old as those of the companies.

The US craze for squeezing workouts into every waking hour, however, has spawned a new type of facility – the in-house fitness centre. The centres, which usually comprise a multi-gym, aerobics centre and cardio-vascular unit, are becoming increasingly popular among City institutions and large company headquarters as an alternative to corporate membership of health clubs.

Most in-house corporate fitness clubs are run on a membership basis requiring an annual subscription. These are often subsidised – which is where the perk comes in – though the Inland Revenue has not yet decided to tax the subsidy. "I don't think the taxman would try to tax something which is improving a company's bottom line when he's also getting corporation tax," said Don Genders, managing director of Corporate Gymnasia, which designs and builds gymnasiums.

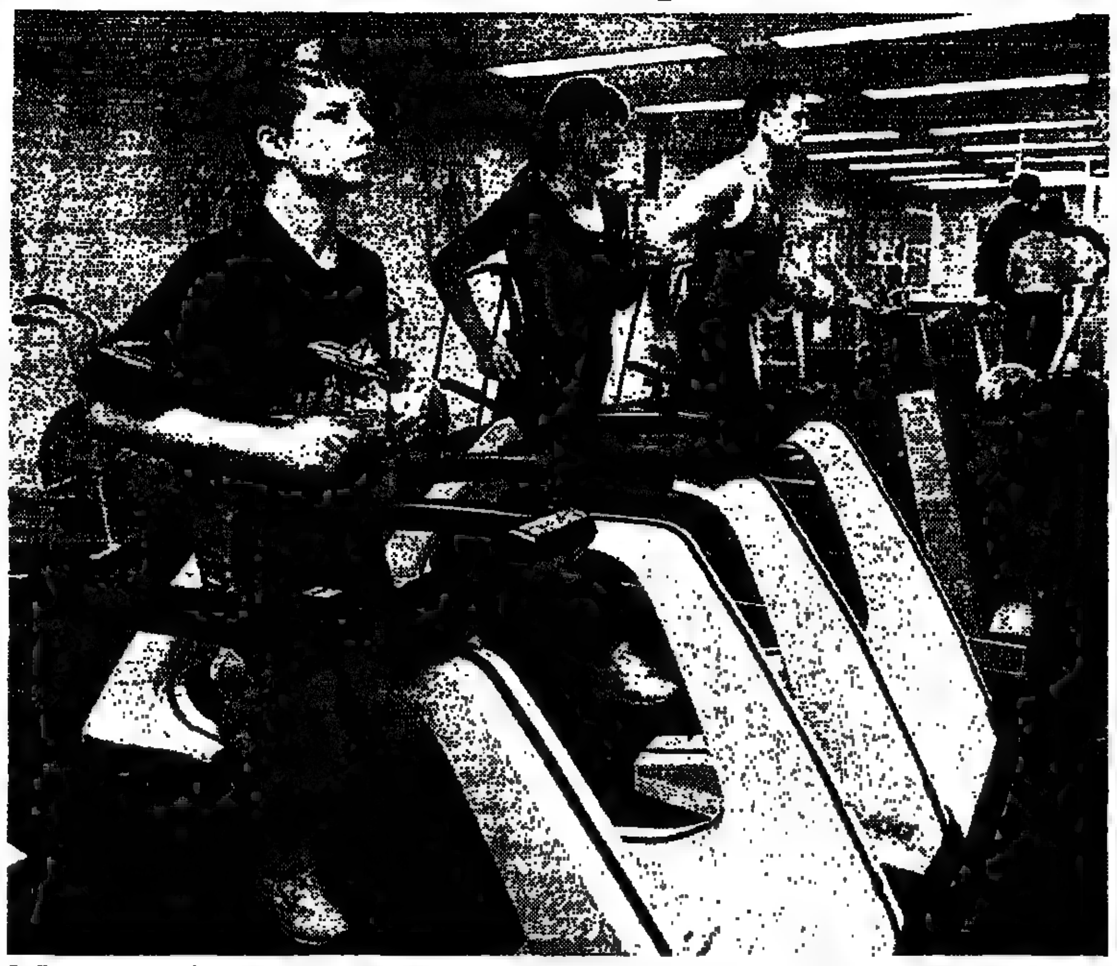
Some companies are moving away from the provision of old-style recreational centres and sports fields located miles from the workplace at an out-of-town site. General Accident recently sold its sports ground in Surrey to a local football club and Standard Chartered Bank has put its own sports ground on the market.

Thomas Cook has bucked this trend by building a £4m leisure centre at its 22-acre headquarters site employing 1,900 people at Peterborough. The centre is designed to complement the outdoor cricket, bowls, football, tennis and croquet pitches. It includes three conference rooms and a day-nursery for up to 50 pre-school children.

More typical of recent corporate trends is the installation of on-site fitness centres managed by outside contractors. The two main operators of managed centres in the UK are Fitness For Industry (FFI), a subsidiary of the Forte Group, and Orion, part of the Coverwood Group.

Both companies have been around for about 13 years and they are still operating in a small though expanding market.

Ann White, operations manager at Orion, said that providing a perk for employees was often the motivation for establishing a company fitness centre. But, she argued, companies were seeing benefits for themselves across the workforce. "The companies with in-house centres are finding that a wider group of people is using the facility including people who wouldn't normally excercise," she said.



Staff work out at London market-makers Smith New Court: the company has squash courts, a pool and several exercise rooms

Some 800 of the 1,000 staff at Freshfields, the London legal practice, have had fitness assessments at the firm's in-house gym run by FFI. Of those, 400 now use the gym twice or more every week. Companies such as Ford Motor Company, Wellcome, Rank Xerox and Mercury Communications have gyms operated by Orion which now has 30 in-house gym-management contracts. FFI has 21 clients, including the House of Commons, Robert Fleming, American Express and Air Products.

FFI runs two centres for Air Products, the US industrial gases and chemicals manufacturer. The company installed the centres when it moved some of its operations to Basingstoke from its Hersham European headquarters. Air Products has had a large sports centre at its parent headquarters in Allentown, Pennsylvania, for some years so management took little persuading about the merits of in-house gymnasiums in the UK.

The centres are run like a club and staff who pay a £48 subsidised annual membership fee undergo fitness assessments before they start work on cardio-vascular equipment. All are given V02 ratings – the standard fitness rating based upon a calculation of oxygen intake during excercise.

Paul Waldoch, a 31-year-old engineer manager, is one of the Hersham fitness success stories. He joined in January, weighing in at 16½ stones with a V02 of 33 and a blood pressure rate of 166 over 66.

Now he is down to 14 stone, his V02 rating is 57, his blood pressure is 127 over 66 and his resting pulse-rate is down from about 75-80 to 60. He has taken up rowing, eats lots of fruit and feels sharper for the experience. "If you ask most people here I think they would say their work has benefited by being involved in this. You don't get to lunchtime and say I wish the day would finish," he said.

Alan Carver, director of human resources who introduced the fitness centres, said that the 355 members of the club at Hersham, out of a workforce of 800, had acheived a 20 per cent increase in fitness in its first six months. He said: "People at all levels use the facility and it does break down barriers."

The centre is open three times a day – 7am to 9pm, 12 noon to 2pm and 5pm to 8pm. All sessions are supervised. Fitting out the centre in a 1,600ft pre-fabricated building in the grounds of the headquarters cost £38,000. A further £50,000 was spent adding showers and flooring. Annual running costs to the company are about £50,000.

"When you consider the benefits for staff from that sort of outlay I think it is a very attractive proposition," said Carver.

The fitness centre is only part of a wider promotion of health and fitness at Air Products which includes an almost evangelical approach to safety. The company believes its policies have paid measurable dividends. In 1975 it had 110 incidents across Europe that resulted in staff needing time off; 4,000 working-days were lost as a result. Last year Air Products had just eight such incidents resulting in a loss of 50 man-days.

An internal survey of FFI's clients showed that, on average, from a total sample of 800 scores the fitness ratings of those taking part had risen by more than 16 per cent between six-month assessments.

Little UK data is available to assess the benefits of corporate fitness programmes. Reports in the US, where the high cost of health care has generated enthusiasm for such programmes, indicate lower absenteeism, reduced health-care costs, increased morale and improved efficiency among workers.

Coverwood looked at 97 of the US reports and found that, while all the surveys showed positive results, the findings varied widely and benefits tended to be overstated. On one of its own managed sites, however, Coverwood said that its fitness programme had saved more than £300,000 in working days lost because of back pain.

Coverwood is now introducing programmes to take corporate fitness into the management training field. "We are trying to develop a new way of looking at things. We want corporate financial management to use fitness centres as a training base," said Barry Morgan, chief executive of the group.

This is the third article in a series on company perks. Others appeared on October 14 and 23.

Run your business by the book

Michael Cassell on how a company benefits from good documentation

WHO needs paperwork? Anyone who wants to get the most out of their buildings and plant, according to Maurice Ault, who believes technical documentation should be recognised as an invaluable management tool.

Too many businesses, he contends, operate even state-of-the-art premises by the seat of their pants, never having properly conducted an audit of the physical assets they control or setting down best-practice guidelines.

"All too often, managers have no clear understanding of what they have under their control, how it works and how to get the best out of it. The result is that businesses can be run sloppily and even dangerously."

Committed to paper: Maurice Ault

One of the keys to safe, reliable and profitable business operations, says Ault, is high-quality documentation. Like a car handbook, a set of manuals exposing the nuts and bolts of every operational facility, can guide an ever-changing cast of managers through training to the operation and maintenance of plant.

"Only when you describe a plant in detail can you understand what it is and what it does. Then you have to explain how you operate it. Many of those responsible simply do things as they have always been done, without any idea of whether it is the best way.

"Done properly, documentation will optimise any company's technical and financial performance. Without it, costs and inefficiencies can escalate, losses will mount and there is even a danger of physical risk to personnel," Ault adds.

As the man responsible for marketing Technical Publications Management Services (TPMS), purchased recently from National Power by shipbuilding and engineering group Vosper Thorneycroft, Ault has a vested interest in getting his message across.

But it is being taken on board by British companies in search of competitive edge, not least because technological developments and statutory safety and environmental requirements increasingly demand standards which can be met and maintained only with reference to formal documentation.

Given its power industry roots, the recent growth of TPMS has been largely based on its success in offering a documentation service to the operators of highly technical, complex plant – such as power stations and offshore installations – although it is now branching out into the water treatment and supply, defence and aerospace industries.

But Ault believes the need for quality documentation is becoming paramount in far less technically-oriented businesses – such as hotels, theatres and cinemas and manufacturing facilities, where safety and health standards have to be based on a proper understanding of a building's working characteristics.

"Technical documentation may look like a Cinderella activity but it involves a fundamental management discipline of increasing importance. Walk around any factory or plant and you can identify those which have already got the message and those which are inviting big trouble."

PEOPLE

Michael Heron, 58, a director of Unilever responsible for personnel worldwide and with regional responsibility for the UK and the Republic of Ireland, is to be the new chairman of the Post Office from January 1 next year. This is a three-days-a-week post; he will be working with Bill Cockburn whose appointment as chief executive was announced in July and came into effect a week ago.

■ Steve Morrison, formerly director of programmes, has been appointed md broadcasting at GRANADA TELEVISION; David Liddiment, formerly deputy, becomes director of programmes; Kate Stross, formerly finance director, becomes commercial director; and Michael Desmond is promoted from deputy to sales director.

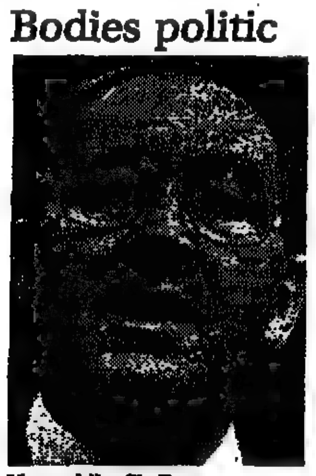
■ Peter White, formerly md of Colorgraphic Imagekraft, has been appointed md of KALAMAZOO Business Systems.

■ Ray Peters, formerly director and general manager of McKechnie Polutop, has been appointed md of McKECHNIE Packaging; he replaces Nick Searle who is to head a new business unit at McKechnie's vehicle component division.

■ Curt Viebranz has been appointed president of TIME Inc Europe.

■ Trevor Chadwick has been appointed sales director for the Couru range of CARRINGTON VIYELLA.

Bodies politic



Meanwhile, Sir Bryan Nicholson, the departing Post Office chairman, has been appointed chancellor of Hallam University, Sheffield. He is familiar with both Sheffield and the academic world having served as chairman of the Sheffield-based Manpower Services Commission and of the Council for National Academic Awards.

■ Richard May-Hill, joint md of S A Brain, has been appointed a member of the HEALTH PROMOTION AUTHORITY FOR WALES.

■ Ralph Green, md of McIntosh Donald, and Colin Jay, chief executive of FMC, have been appointed commissioners of the MEAT AND LIVESTOCK COMMISSION.

■ Sir Michael Quinlan, formerly permanent secretary at the Ministry of Defence, and director of the Ditchley Foundation, and Joanna Kennedy, senior engineer, Ove Arup and Partners, have been appointed trustees of the SCIENCE MUSEUM.

Finance moves

■ Ian Nicol (above) has been appointed the first group md of ALBERT E SHARP HOLDINGS.

■ Stephen Clasper, formerly finance director of the Mortgage Corporation, has been appointed a director of BAINES GWINNER.

■ Donald Marr, former chairman of Dunedin Fund Managers, has been appointed a director of DUNDEE AND LONDON INVESTMENT TRUST.

■ Mowbray Whiffin, formerly a director of Greenwell Montagu, has joined QUILTER GOODISON as a director of the portfolio management division.

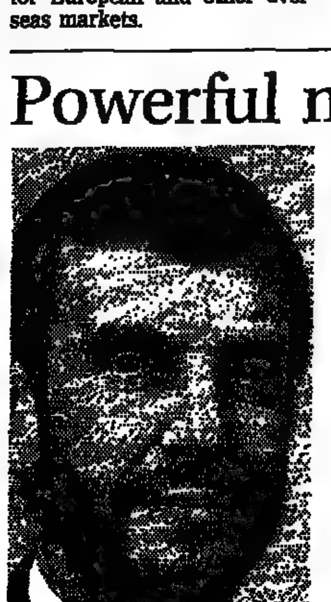
■ Alan Elliot has been appointed a director of FOREIGN & COLONIAL HIGH INCOME TRUST; Sir Richard Pease has retired as chairman.

■ Hugh Nash, head of corporate finance in Scotland for GREIG MIDDLETON, has been appointed to the main board.

Robert Halls (right) has taken over as managing director of High Wycombe-based Hurco Europe, subsidiary of the big US machine-toolmaker Hurco. Halls, a 49-year-old Briton, was previously working in the US as vice-president of manufacturing at Hardinge Brothers, another well-known US machine tool group.

He has succeeded John Nicholl, who is returning to his native US to become vice-president of Hurco International. Halls will be reporting to Nicholl, who will be responsible to the main Hurco board for European and other overseas markets.

Powerful moves at Rolls-Royce



Less than six months after being appointed managing director of Northern Engineering Industries (NEI), part of Rolls-Royce, Richard Maudslay has been promoted again.

From November 1, he will be managing director of Rolls-Royce Industrial Power Group, reporting to the man he succeeds – Terry Harrison, the newly-appointed chief executive of Rolls-Royce.

Maudslay, a 45-year-old engineer, began his career in 1969 with NEI Peebles in Edinburgh. This May, after seven years as md of NEI Parsons, he was named md at NEI.

His responsibilities will now include NEI, along with the Industrial Power Group's three other main businesses, R-R Industrial & Marine Gas Turbines, R-R Nuclear Engineering and R-R Industries Canada. He also joins the Rolls-Royce corporate executive committee.

Maudslay's move brings two further appointments. His successor as md at NEI will be Andrew Perkins, md of R-R Nuclear Engineering since early 1992.

Perkins in turn is succeeded by Tony Roulstone, currently general manager for performance and engineering systems at R-R Aerospace Group.

New act on the fringe circuit

Vanessa Houlder on opportunities beyond the Square Mile

The shabby, historic fringes of the City of London provide as telling evidence of the property crash as anywhere in the UK. When the buoyant property market started to reverse into recession in the late 1980s, an immediate visible result in areas such as Southwark and Clerkenwell on the City fringes was street after street of boarded-up offices, derelict sites and brand-new but empty developments.

But the City fringes are not just a unpleasant reminder of the severity of the property slump. They also present opportunities for a fundamental rethink about land use in central London. Housing, rather than offices, could become the favoured choice for empty sites in the 1990s.

The case for converting offices into housing is persuasive. In Islington, 181 sites which have been granted planning permission for offices remain undeveloped, according to Applied Property Research (APR), an independent research company. Given the bleak outlook for the City's office market, it is unclear whether these schemes will ever be viable.

Last summer, APR visited and photographed all 181 sites and graded them according to their office potential. They concluded that 20 per cent of the sites would never be a good office site, 63 per cent had little hope as an office site, 15 per cent could be an office site in 10 years and 2 per cent could be an office site within 5-10 years. None of the sites fell into the category "good office site, developable within 2-5 years".

"Much of the borough will be blighted by vacant and derelict sites until the end of the century and beyond," says APR.

The plethora of planning permissions that were granted in the 1980s bear witness to an extraordinary transformation in the perceptions of the City's fringe area over the past decade. Between mid-1982 and 1987, the rents of fringe City properties increased by 125 per cent, compared with 100 per cent in the central City area and 50 per cent for the west end, according to Hillier Parker, chartered surveyors. At its peak, rents were bid up to as high as £40 per sq ft.

The fortunes of the fringe areas were closely linked with those of the City. In the run-up to Big Bang in 1987, an unprecedented level of property activity in the City forced developers to look beyond the Square Mile's traditional boundaries. The overspill went into the fringes.

With the emergence of screen-based trading in the 1980s, financial institutions no longer felt bound to huddle together within the Square Mile. The need for modern offices to house the banks of computer screens also persuaded banks, brokers and related service companies to move outside the confines of the City. Some moved to the City fringes, which in turn displaced existing tenants.

The pressure on the fringes provoked mixed reactions from neighbouring left-wing boroughs. These boroughs were eager to maintain their strong industrial base. But they were forced to relax their position because of a combination of factors: the decline of industry in central London; successive Conservative victories in general elections; and a substantial easing of the planning regime.

The City fringes present opportunities for a rethink about land use in central London

The planning changes came about as a result of the 1987 Use Classes Order, in which offices, research and development and light industry were combined under a single category for planning purposes. These changes, prompted by a desire to boost businesses' flexibility and cut local government red tape, often resulted in an upturn in the number of new offices at the expense of workshops and manufacturing sites.

For the councils, the attraction of granting office planing permission was the prospect of some community benefit being provided by developers, a *quid pro quo* which suited both sides. In the absence of any overall strategic planning in London, councils had little reason to turn down planning requests since this would probably have resulted in the loss of potential business and jobs locally.

But this no longer holds; for over the past few years, the surge in demand for offices has reversed. The central London service sector has lost almost as many jobs in the past three years as it created in the previous six. And the financial services sector, which fuelled the rise in demand for offices in the City fringes, has suffered among the biggest job losses in the service sector. Rents in the City fringes have virtually halved since their peak in May 1990, according to Hillier Parker.

Yet the prospects for the better City fringe office developments are not hopeless. Some buildings will attract tenants by letting individual floors; others will become serviced offices offering flexible leases to the small businesses that have always been an important part of the London economy.

But the majority of tired, obsolete office buildings and vacant sites may never have a useful future unless their use is reconsidered.

The oversupply of offices in the capital is matched by an undersupply of housing in its centre. The long commuting times endured by most London office workers and the high cost of housing point to an underlying shortage of residential property, even though the market is currently hard hit by recession.

APR calculates that 72 per cent of the Islington sites with office planning permission were suitable for housing, if not for private residential property, then for housing associations and student hostels.

Converting offices to residential uses is neither cheap or easy. The problems are greatest in the air-conditioned, glass blocks built in the 1980s, with large floor spaces and wall-to-wall sealed windows. Windows need to be blocked out and new wiring, plumbing and independent heating systems installed. Moreover, refurbishment on commercial buildings attracts value added tax, unlike residential property. It is frequently cheaper to demolish an office building and start again, rather than convert to residential property.

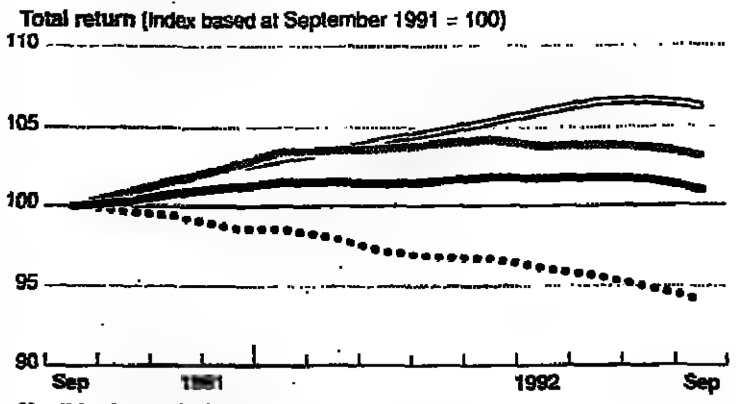
Obtaining planning permission for office conversions can also be a problem. Residents, fearful of noisy parties, often object to planning permission being granted for student accommodation; developers warm to this type of conversion because offices divide easily into bedsits and the absence of gardens and car parking present no problems. Furthermore, councils are sometimes reluctant to allow a change of use because commercial buildings attract jobs.

Conversions are not confined to Clerkenwell; similar office-to-housing changes of use are taking place in Mayfair, Battersea and even the Docklands.

But what makes the City fringes more appropriate for such conversions is that the area already has the infrastructure of launderettes, shops, cafes and post offices which serve the existing community. Unlike the office ghettos of the City centre, the fringes already have a life outside the hours of nine to five.

IPD monthly index

Total return (Index based at September 1991 = 100)



Monthly change (Index based at Dec 1986 = 100)

	Sep 1992	Aug 1992	Change
IPD	166.36	167.45	-1.09
Retail	155.11	155.79	-0.68
Office	156.82	158.33	-1.51
Industrial	231.40	232.91	-1.51

Decline gathers pace

There was a marked worsening of the property outlook last month, as reflected in September's IPD property index. For the market as a whole, the decline in total return accelerated to 0.7 per cent, the worst performance since January 1991. Yields shifted outwards across the board – to touch nearly 10 per cent overall – and capital values dropped 1.4 per cent over the month, the biggest monthly drop for more than two years. Year-on-year total return fell to 0.9 per cent for the 12 months to September.

All three sectors covered by the index did poorly. Offices did worst, with a 1 per cent negative total return, down from -0.8 per cent the previous month. Year-on-year total return was negative, at -6.0 per cent for the year to September.

The deterioration was most marked, however, in retail properties, which swung from a positive total return of 0.1 per cent in August to a negative return of 0.4 per cent in September. "Despite these results," says IPD, "the retail sector is still attracting the bulk of such modest new investment as is available."

Industrial properties fell from the August return of -0.2 per cent to -0.6 per cent in September. Year-on-year total return for the sector, which recovered to 8.6 per cent in March, has since been falling and reached 3.1 per cent in September.

CONTRICTS AND TENDERS

LECTURES

ARTS

Inspirational images

Patricia Morison visits St Jerome the penitent in the National Gallery

St Jerome's distinguishing marks in art are a cardinal's hat and a charming lion. However, as a new exhibition at London's National Gallery shows, merely being able to identify this white-bearded old saint does not take one very far. St Jerome features more often in later medieval and Renaissance art than any other personality of the Early Church. His popularity survived the Reformation. Ribera, the 17th-century saint-specialist, painted no less than 45 St Jeromes. What was it about St Jerome that for four centuries secured his honoured place in Catholic art and piety?

Theme and Variations: Saint Jerome is the first of a new series of National Gallery exhibitions which will "examine themes" in paintings within the collection – iconography, in other words. This is an extremely good idea and one becoming fashionable as museum curators try to bridge the gap between an atheistical, plain uneducated public and the standard repertoire of Christian imagery and symbolism.

Not that an understanding of the repertoire is by any means the only key to the appreciation of religious art. Think of the blatantly erotic appeal of countless Venetian and Spanish images of female saints; knowing their legends or even their names hardly matters, although it may add piquancy.

And yet, it would be perverse to deny that greater familiarity with iconography leads to a keener enjoyment of the Old Masters and, almost as importantly, of pedestrian or straightforwardly inept artists. At a glance we recognise St Jerome (thanks to the lion, without which we could be looking at St Augustine) as the great Doctor and Father of the western Church, working on his Latin translation of the Bible. But only certain artists could create an inspirational image – the man of intellect who, oblivious to worldly distractions, is totally wrapped up in the Word of God.

Antonello da Messina was one such artist. In his perfect brown study of a painting we see St Jerome's study framed within a monumental stone arch. The scholar is seated in profile, a pose which conveys a certain hard-edged disciplined quality of mind, one strengthened by the orderly arrangement of books and implements on the shelves behind.

Putting this very famous painting with another "St Jerome in his Study" by the Venetian artist, Vincenzo Catena, helps us appreciate this far less familiar painting as another wholly successful variation on the theme. Here, too, are beautifully realised details – the slippers neatly placed by the raised platform, (did Renaissance scholars take their shoes off because they used foot-warmers?), the curtain at shoulder height to take the chill off the stone wall. Whereas Antonello put the saint's study inside a church, Vincenzo has created a real room, but made the most prominent object within it the crucifix. Head bowed on his hand, the intellectual is *Christ's humble servant to Christ.*

Giovanni Bellini (or someone in his workshop) looks back to St Jerome's few years spent as a hermit in the Syrian desert. Here is the lion, to be sure, but not the anachronistic cardinal's hat. The saint in his sky-blue tunic is sitting on a rock, blissfully engaged in reading. However, that was Jerome on a good day in the desert.

The saint's other main occupation, as he testified in his celebrated letter to Julia Eustochium, one of his female admirers, was bruising his flesh on the hard ground, fasting, letting his skin turn black as an Ethiopians and beating his breast all night as he sought to extinguish the fires of lust which still flickered in his aged loins.

For Jerome, one of the early Church's most ardent proponents of chastity, the Devil lived in the loins and the navel (his euphemism for female private parts). Many of the images in the exhibition showing Jerome the penitent would, to the educated Christian who knew the letters, recall Jerome's victory over his loins.

With such a rich theme and a smallish gallery, hung with no less than 16 St Jeromes (there are 30 in the Gallery) some elements are missing and there are some ellipses. It is not correct that Jerome went to the desert because of his famous dream, in which he was punished for his attachment to reading Cicero. We should have been told more about Jeronimite monasteries of the 15th century, and more about the saint as a symbol of penitence in Counter-Reformation, especially in the light of the one, quite magnificent loan to the exhibition: Georges de la Tour's "St Jerome in Penitence" from Stockholm.

This is a delightful exhibition, one ideal for children and bound to tell almost everyone something new about St Jerome. I wish we could have had at least a panel on the Jerome subjects *not* in the collection, for example, dictating the Vulgate to his pupils (a scene found in a delightful panel in Dublin by *Niccolo Fances). And was there* ever an artist who showed the scene described in the *Golden Legend* when the saint's enemies, determined to stop him becoming pope, left a woman's clothing on his bed? *St Jerome, the absent-minded* scholar, put on the dress and went to church, which dished his papal chances for ever. St Jerome the unwitting transvestite – now that would have been a spicey variation on a much-loved theme...

'St Jerome in Penitence' by Georges de la Tour: the saint believed that the devil lived in the loins

Until December 13: admission free. Sponsored by the Bernard Sunley Charitable Foundation.

Jazz/Garry Booth

Brecker Brothers are still kicking

They're back and they're still bad – or "kicking" as their fans would have it now. It is ten years since The Brecker Brothers last crossed horns to create their gangsterised fusion of rock and jazz. And judging from the air of anticipation that filled a packed Festival Hall, they have been sorely missed. A new contract and a new album, *The Return of The Brecker Brothers* (GRP 96842), is the reason for a world tour. The inclusion of fusion guitar hero Mike Stern and a pulverising rhythm section in Dennis Chambers (drums) and James Genus (electric bass) is the added appeal for the GTi driving classes.

The atmosphere created by Breckers, Randy on trumpet and younger Michael on tenor, both miked up and roving around the stage among a battery of pedal effects, is that of a rock concert. The performance, punctuated by whoops from the crowd, is a dazzling showcase of heroic solos and technological firepower. Both Brothers have a cold metal tone, Randy alternating between a trashy mute sound and synthesised Donald Duck voice; Mike busier, squiggling and almost Ornette-like.

"We're having a great time," said Michael pleasantly after opening with two crushers from the new recording and an old crowd pleaser in "Skunk Funk". George Whitty's keyboards, on a foundation of heavy funk backbeat, sets the scene for each number. Randy peep-peeping tantalisingly, Michael pigeon-toed, knees together and wringing out the notes and wearing out reeds. When Mike Stern embarked on another incandescent, spiralling and squealing solo effort with the CD single (single?), "Big Idea", some headbanging even broke out in the stalls.

"Song for Barry" was the sort of technological *tour de force* of which stablemate and technocrat Chick Corea would be proud. A tribute to trombonist Barry Rogers, the piece begins with Michael blowing into an innocuous looking device called the ewi (electronic wind instrument). It looks like a melodica but in brother Michael's hands is more like a latter day horn of Jericho. Blowing into it gently at first conjured up the sounds of an African village, bass mumbling and shouts, then a booming orchestra of didgeridoos. More vigorous application set the walls of the Festival Hall shaking dangerously.

Exchanging the ewi for a walkabout with the tenor and some caustic notes, however, heralded the return of Stern and a spinning coda held down by Chambers' bludgeoning bass drum. Yes, they're back alright.

Dance/Clement Crisp

The bell tolls for this 'Don Juan'

Faced with something as monumentally awful as *La Légende de Don Juan*, with which the Groupe Emile Dubois infested the Royalty Theatre on Wednesday night, what can one do? Flee into the night, certainly – which is what I did after 85 minutes of tenth-rate rock, frenetically silly movement, and even more desperate inadequacy of dance ideas. Wonder if one could manufacture a hand-grenade from the programme sheet provided by Dance Umbrella, under whose aegis this catastrophe was shown, and blow the cast to smithereens. And wonder, and wonder again, whose misbegotten idea it was to bring this frightful troupe back to London.

The Groupe Emile Dubois – and here is where the mind reels – is based at the Centre Chorégraphique in Grenoble, and master-minded by Jean-Claude Gallotta. I presume that lots of French government money is spent in supporting this enterprise, and I can only suppose that it is a not-so-secret weapon to be used in some unimaginably terrible war of the future. The French "new dance" is, for the most part, a *dreadful thing, as pretentious*ness balances with several other intellectual devils on the head of a pin of uncertain *dance technique.*

Gallotta's contribution – he was unforgettably, alas, at the Queen Elizabeth Hall a couple of years ago – looks to me like dance-therapy for optimistic amateurs. His dancers vary from the competent to the curious (he has brought two chaps whom I privately identify as The Unfrocked Dentist and The Mad Vet) and this *Don Juan* does nothing for any of them, except set them rushing about as if auditioning for a TV variety show.

The witless theme is that the Don becomes a rock star, *vocalist and saxophonist, and* across the 1950s,'60s,'70s he is seen performing (and frightfully, at that) while interludes *show four girls succumbing to* his charms. I left before, as I sincerely trust, he was carried off to Hell, but I can report that the noise was brutal, that the dance was vapidly energetic, that his loves were rather solid maidens wearing gold lamé dresses and disporting themselves as if suffering from a mild attack of the Denishawns. (They skipped and romped like the earliest American free dancers to weedy piano tinklings).

Pascal Gravat was the Don. *Character was suggested by a* knee-sagging, pigeon-toed stance, and occasional inaudible bursts of chat. Sexuality was represented by some desultory paddling in the girls' skirts. I have rarely seen a performer less communicative, less interesting. The rest of the cast had the harried air of people fleeing a burning hotel.

I record with disbelief that *the piece was commissioned by* Expo '92 Seville and by the French Ministry of Culture's dance delegation, exported by the Association Française d'Action Artistique, and sponsored here by the European Arts Festival. Send not to know for whom the bell tolls: it tolls for them all.

Theatre/Andrew St George

A Little Older

Summer fare from the Edinburgh Festival, like August grouse, often becomes autumn fodder in London. Now *A Little Older*, proudly bearing "*The Independent* Fringe Award", has arrived at the Hampstead Theatre. It is a good play – curt, serious and funny – but never an award-winner; perhaps no other candidates of sufficient merit presented themselves. Still, it makes an absorbing evening, intelligently acted.

John Binnie's text typifies the British way of drama: the journey backward to find the way forward. This resembles nothing so much as Freudian psychoanalysis, a search for scenes in childhood to cure the adult. Denis Potter perfected the form in *The Singing Detective* (1989) and the same burden of the past weighed on Rodney Ackland's play *The Dark River* (1943).

A Little Older, serious and considered, centres on Isla, an amnesiac and aphasic car-crash victim. Her friend Sandy visits her in hospital. When she fails to recover her speech, action and memory, he prompts her with shared *school experiences from 1960s* Glasgow. She responds.

Their past emerges: she is a wild roly-poly vicar's daughter, *eager for experience, and he is* a quiet boy discovering he is gay. Eventually, his affection and perseverance return her to normal life.

The play has moments of cliché ("What are her chances, doctor?") and patches of dark humour ("You've had an accident" – "Really?"). Its poignancy lies in showing the inability of the once able-bodied, the tiredness of the infirm. But when action in the play means Isla's memory is working, the plot relies too much on the telling and not enough on the showing. The best scene shows Isla's memory working better than Sandy's. She remembers snow falling one Christmas Eve. That incident completes the therapy.

Stephen Docherty and Mari Binnie as Sandy and Isla maintain close rapport throughout. They have unerring confidence in each other, as befits an invalid and friend. They make scenes turn on a gesture, a shrug. Both extract judicious humour from a serious situation.

Robert Rabey's bare set needs Tariq Hussain's inventive lighting to shift focus between past and present, while John Binnie'directs with verve. *Like a good therapist, he* finds a reason for every detail in the text.

Hampstead Theatre, Swiss Cottage (071-722-9301)

Wexford Festival/William Weaver

A 'Comedy of Errors' after Mozart

Wexford Festival's chamber opera this year is a fascinating rarity of 1786. *Gli equivoci* by the Italo-English composer Stephen Storace, who was born in London in 1762 and died there, after a short and not very happy life, in 1796. Son of an Italian musician and his English wife, Storace was the younger brother of a gifted soprano, Nancy Storace, who has earned a place in operatic history as the creator of Mozart's Susanna. It was probably Nancy, much admired also by the Emperor Joseph II, who procured for her brother a commission to compose a comic opera for Vienna's Burgtheatre, to be written on a libretto by Lorenzo Da Ponte.

Da Ponte decided upon Shakespeare's *Comedy of Errors* and produced an agile, spirited text, rich in comic situations and in varied musical opportunities. Da Ponte wrote it in Italian and the opera was presented in 1786 as *Gli equivoci* (The Misunderstandings). The young composer's sister naturally played a leading role. Storace scored a considerable success, and while remaining for some time in the Vienna repertory, *Gli equivoci* was given also in Leipzig, Prague, Dresden and Pressburg.

Virtually forgotten during the last century and for most of this, Storace's opera needed a thoughtful, lively revival, and Wexford has provided the perfect occasion. The Theatre Royal is just the right size, allowing the singers to present their music without forcing and, at the same time, allowing the audience to grasp the words. The opera was given in English, with its Shakespearean title *The Comedy of Errors*, while the translation – by Arthur Jacobs – restored, insofar as the music permitted, the Shakespearean words.

Inevitably, Storace's score reflects the influence of Mozart. But the London-born composer, young as he was, had a mind and a talent of his own; the arias are stylishly shaped, the orchestra is inventively used, the voices are tellingly combined (the work is rich in ensembles, and the eight leading singers are employed in numerous different combinations and all together in the two extended, scintillating finales).

The four leading male parts belong to the two pairs of separated twins (tenors, the masters; and baritones, or basses, the buffo servants). There are three female roles: a wife each for one Eufemio and one *Dromio, and a future wife for* the other Eufemio. The master and servant couples from Syracuse are perhaps a bit more *important musically*, and the roles were generally well-handed by the tenor Kip Wilborn (who lost timbre, however, when he attempted to sing softly) and the bass Kurt Link (whose relentless mugging became tedious in the second of the two acts). As their Ephesian counterparts, the tenor Gary Harger and the baritone Christopher Trakas seemed, at the outset, a little less imposing, but as the evening progressed proved pleasing in their measured approach and their confident musically.

As Adriana, the bewildered wife of Eufemio of Ephesus, Korliss Uecker, a bright and pretty American soprano, was charming, crystalline of voice and sparkling as actress. Her rendering of the "Scottish" air that Storace adapted and inserted for his sister (based on a familiar tune, "The Yellow-hair'd Laddie") was one of the most affecting moments of an always-enjoyable evening. Her sister, Luciana, was played by the young British soprano Sarah Pring, *also full of vitality* and sensibility. In the third, lesser, but not insignificant female role, the Irish mezzosoprano *Kate McCarney carried* out her not always grateful assignment (Lesbia, her character, is something of a nag) *with flair and conviction.*

The brisk conducting of Mark Shanahan kept singers and orchestra together admirably, but at a price: there was little suppleness or variety; fast and loud were the watchwords. Only now and then were the tender, even wistful moods of Storace's music given time and space to assert themselves. The set designed by Russell Craig was in a now surely outdated *buffo* style: tilted houses, many stairs, Mediterranean pinks and whites; and the staging of Giles Havergal, though it kept everyone on the move, was fairly predictable. But the signers did work together admirably. The staging may not have been great, but like the musical presentation, it had a welcome convincing coherence.

Among the non-operatic events of this year's Wexford festival, one was particularly exciting: Elgar's *Dream of Gerontius* in the massive Church of the Immaculate Conception. John Lubbock conducted the visiting Ulster Orchestra and the combined choruses of the Belfast Philharmonic Society and the Wexford Singers, supporting a trio of fine soloists: Yvonne Howard, mezzosoprano; Justin Lavender, tenor; and Anthony Michaels-Moore, bass, in a performance that *glowed. Lavender sang with* unhistrionic intensity, conveying the impace of Newman's soul-bared text. The other solo*ists equalled it and Lubbock* brought out the grand architecture of the music with the profound participation of his play*ers and the joined choirs.* That musicians from both parts of divided Ireland were performing, in unity, an English masterpiece, inevitably enhanced the emotion of the event.

INTERNATIONAL ARTS GUIDE

Denied the use of its Munich home because of an overhaul of stage hydraulics, the Bavarian State Opera is making good by visiting Japan next month. On November 8, the company will inaugurate the opera house at Nagoya with a new production of Die Frau ohne Schatten, staged by the Kabuki actor and director Ennosuke Ichikawa and conducted by Wolfgang Sawallisch. The next day, Sawallisch and the Bavarian State Orchestra will open Nagoya's new concert hall, which along with the opera house forms part of the newly-built Aichi-Art-Center.

Die Frau ohne Schatten will be repeated at NHK Hall in Tokyo on November 15, 19 and 22. The tour programme also includes Le nozze di Figaro (Nov 10 and 12 at Nagoya, also 17, 20 and 23 at Hitomi Hall in Tokyo), Der fliegende Holländer (Nov 26, 28 and 30 at Bunka Kaikan in Tokyo), a Wagner and Strauss concert with soloists including Julia Varady and Janis Martin (Nov 18 and 21 at Suntory Hall, Tokyo) and Brahms' German Requiem with Lucia Popp and Dietrich Fischer-Dieskau (Nov 27 and 29 at Suntory Hall).

Sawallisch also accompanies Fischer-Dieskau in two Lieder recitals at Art Space, Tokyo (Nov 16 and 24).

This will be Sawallisch's third visit to Japan with the Munich company, of which he has been music director for more than 20 years. Of all western musicians visiting Japan, Sawallisch's association is the closest and the longest (dating back to 1964, when he first conducted the NHK Symphony Orchestra). In future, his Japanese tours will be with the Philadelphia Orchestra, with whom he takes up the post of principal conductor next year.

The new music director in Munich is Peter Schneider, who will conduct Dieter Dorn's new production of Cosi fan tutte at the Cuvilliés-Theater in January. Munich's National Theater will remain closed until the opera festival next July.

EXHIBITIONS GUIDE

BALTIMORE
Museum of Art *Friends and* Neighbours: the art of John Ahearn and Rigoberto Torres displays the sculptures of the *people of the south Bronx in* a collaboration of film-maker and artist. Ends March 14. Closed Mon and Tues

BASLE
Kunstmuseum Jürg Kreienbühl (b1932): paintings, drawings and prints by the Basle artist, evoking his experience of down-and-out life in Paris in the 1950s and 1960s. Ends Jan 3. Daily

BONN
Kunst-und Ausstellungshalle From Cézanne to Pollock: 70 *masterworks from the collection* of the Museum of Modern Art in New York, including paintings by Van Gogh, Picasso, *Beckmann*, de Chirico and others. Ends Jan 10. Closed Mon

LONDON
Tate Gallery Grand Manner *Portraiture in Britain from Van* Dyck to Augustus John. Ends Jan 10. The Painted Nude. Ends Dec 27. Also Turner's Use of *Perspective. Ends Jan 31.* Daily
Royal Academy of Arts Sacred Art of Tibet. Ends Dec 13. Daily
Hayward Gallery Art of Ancient *Mexico. Ends Dec 6. Also* Bridget Riley: paintings 1982-92 by one of Europe's most authoritative abstract painters. Ends Dec 6. Daily
British Museum Ukiyo-e paintings: 100 images of bawdy society in feudal Japan. Ends Nov 29. Daily

MALAGA
Archbishop's Palace Picasso *Clásico*: this exhibition, in Picasso's birthplace, brings together 100 drawings, etchings and sculptures, examining the impact of *myth and legend*, poetry and drama on his art. Ends Jan 11

MANNHEIM
Kunsthalle Manet: Moments of History. The exhibition focuses on Manet's career as a political artist, and brings together his three paintings of the execution of the Austrian Archduke Maximilian in Mexico in 1867. *Ends Jan 17. Closed Mon*

MUNICH
Neue Pinakothek The Collection of Count Raczynski: Paintings *of the Late Romantic Era.* The collection of the 19th century Polish aristocrat and diplomat consists largely of works by German and other European masters from the period 1830-70. Ends Nov 29. Closed Mon
Villa Stuck African Sculpture in German Private Collections: 200 objects from all over the African continent. Ends Jan 10. Closed Mon

NEW YORK
Metropolitan Museum of Art Ribera: 400th anniversary retrospective. Ends Nov 29. Also *Magritte retrospective. Ends Nov* 22. Masterworks from Lille: 100 paintings and drawings spanning the period from the Renaissance *to the 19th century*, including celebrated works by Rubens, Goya, Delacroix, David, Courbet and others. Ends Jan 17. Also Alexander Jackson Davis: great *romantic of American 19th* century architecture. Ends Jan 24. The Century of Tung Ch'i-ch'ang: paintings and calligraphies by the revolutionary 17th century *Chinese master*. Ends Jan 10. Loma Negra, a Peruvian Lord's Tomb: 3rd century adornments made by the Moche people of Peru. Ends July 4. Closed Mon
Museum of Modern Art Matisse: major retrospective. Ends Jan 12. Closed Wed (call Ticketmaster 212-307 4545)
Guggenheim Museum Robert Rauschenberg: the early 1950s. *Ends Jan 24. Also the Great* Utopia: the Russian and Soviet Avant-Garde 1915-32. Ends Dec 15. The SoHo site has the set *of murals which Chagall painted* for Moscow's Jewish Theatre in 1920. Ends Jan 17. The main museum is closed on Thurs, the SoHo site on Tues

PARIS
Musée d'Orsay Sisley: the first ever retrospective retraces in some 60 paintings the role played by Sisley in the impressionist movement. Ends Jan 31. Closed Mon, late opening Thurs (quai Anatole France)
Petit Palais Fragonnard's illustrations of La Fontaine are *at the centre of an exhibition* of French drawings of the 18th century, including Watteau's poetical study of nine heads and *Vien's virtuoso drawing of a* mufti. Ends Feb 14. Closed Mon (ave Winston Churchill)
Louvre Pannini (1691-1765): a painter of town perspectives and chronicler of ceremonial festivities, Pannini influenced the next generation with his theatrical vision of antiquity. Ends Feb 15. Also Drawings by Liotard (1702-89): 100 works by *the Swiss pastellist who ranks* as one of the most sensitive if least readily classifiable of rococo artists. Ends Dec 14. Closed Tues (Pavillon de Flore)
Orangerie Les Nymphéas Avant et Après: the confrontation of Monet's waterlilies with canvases by Delacroix or Jackson Pollock brings out their shared lyrical abstraction. Ends *Jan 25. Closed Tues (place de* la Concorde)
Grand Palais Picasso et les Choses: 150 still-life oil paintings, collages, gouaches and sculptures from all periods in Picasso's career. Ends Dec 28. Also Etruscans and Europe: pottery, bronzes, wall paintings and jewellery illustrating the harmonious civilisation which formed a link between ancient Greece and Rome. Ends Dec 14. Closed Tues, late opening Wed (ave du General Eisenhower)
Champs Elysées Fernando Botero: 30 monumental sculptures on the city's grandest boulevard, plus 50 pastels, *drawings, watercolours* and 20 small sculptures in the Didier Imbert Gallery (19 ave Matignon, closed Sun and Mon). Together *they pay homage to the Latin* American artist obsessed with joyfully deformed obesity. Ends Jan 30

ROTTERDAM
Museum Boymans-van Beuningen Impressionism: an exhibition drawn from the museum's own rich collection of French impressionists. Ends Nov 29. Also Wout van Heusden *(1896-1962): prints and paintings* highlighting the wide-ranging oeuvre of the Rotterdam artist. Ends Jan 3. Closed Mon

SAARBRUCKEN
Saarland Museum Emil Schumacher (b1912): 60 works *by the German abstract painter.* Ends Nov 22. Closed Mon

VIENNA
Kunsthistorisches Museum The *Portuguese in India: the* conquests of Dom Joao de Castro depicted on tapestries. Ends Jan 10. Closed Mon

WASHINGTON
National Gallery of Art Ellsworth Kelly (b1923) in France 1948-54: 40 rarely seen works from a seminal period in the American artist's career, tracing his dramatic shift from figurative art to his distinctive invention of multi-coloured panel paintings. Ends Jan 24. Contemporary Drawings and Prints from the Permanent Collection: 123 works, dating from 1970 to 1989, by 12 American and European artists, including David Hockney, Jasper Johns and Sol LeWitt. Ends March 14. Daily
Arthur M Sackler Gallery The Golden Age of Sculpture in Sri *Lanka: 52 bronze masterpieces*, including Buddhist sculpture from the 3rd to the 12th century and Hindu art of the 11th and 12th centuries. Ends next Sep. Daily

ZURICH
Kunsthaus Gustav Klimt (1862-1918): a major retrospective of the Austrian Jugenstil designer and *decorator, with 50 paintings and* 130 drawings. Ends Dec 13. Closed Mon

FINANCIAL TIMES

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One cheer for the chancellor

AFTER THE collapse of its *economic policy on September 16*, it was necessary for the government to start afresh. It had to do so in the worst possible circumstances: a discredited government, a slump at home and dismal economic conditions abroad. Everything that has happened since then has made the task more difficult and more important.

With his new monetary *targets* and indicators, first set out in early October, yesterday's "Mansion House" speech and the autumn statement, which is to be delivered on 12 November, the chancellor is setting out the government's new stall. The question is whether he will manage to deliver either a plausible economic policy or a credible policy framework. What he has given so far suggests that he will succeed *only up to a point*, the problem being more with what he has not said than with what he has.

The chancellor's position on fiscal policy is persuasive. It would be a mistake to embrace too naively the prejudice that so-called current spending is bad and so-called capital spending good. But Mr Lamont is right to *propose* a separation between capital and current spending for the first unified budget, due in December 1993. He is also right to insist on the maintenance of economically valuable capital spending in a recession, both for the short-term boost it can give to employment and for the long-term support for economic growth.

Sustainable growth

The monetary policy framework is more worrying. The key sentences are those in which the government's old emphasis on reducing inflation and its new one on growth are reconciled: "the goal of the government's macro-economic policy has never been simply to defeat inflation. Low inflation is not just an end in itself; it is also the means to sustainable growth and secure employment ... But just as prosperity can be jeopardised by too lax a monetary policy and too high a rate of inflation, so too, we have always recognised that policy can become too tight."

Loosening can be justified. The danger is that, probably too slowly and too late, loosening will go too far and last for too long. The host of monetary indicators the chancellor has chosen allows a discredited government machine too much discretion. Confirmation that the exchange rate still matters is, given past experience, not enough of a comfort. That the inflation *target is prospective* inflation, though rational in itself, also has its worrying side, in view of the uncertainty surrounding all forecasts and the unavoidable lags *between policy and outcomes*.

Stop-go cycle

The main bulwark against yet another deeply damaging stop-go cycle must be institutional reform. The chancellor proposes a new forecasting panel. The idea is good enough, though how much forecasting has to offer is unclear. The question now is who will be on the panel. Will it include mavericks like Liverpool's Patrick Minford and Cambridge's Wynne Godley and perhaps some foreign forecasters as well, or just the great, the good and the habitually wrong?

The chancellor has a few other sensible notions: a new monthly monetary report, fuller justification of interest rate changes and, potentially more interesting, a regular report from the governor of the Bank of England on how far the government has progressed towards its inflationary objectives.

Where has Mr Lamont failed?

On policy, he has not made the fundamental point that if a devaluation is to work, prices of tradable goods and services must rise in relation to wages. Temporarily higher overall inflation than otherwise is how the reduction in the real cost of labour will in practice occur. But the combination of the needed reduction in the relative price of labour with the aim of low overall inflation demands far lower increases in earnings than those a supposedly desperate corporate sector continues to grant to its employees.

No less important is the chancellor's continued failure to understand how deeply damaged is the credibility of both the government and of the whole government machine. What is needed is comprehensive reconsideration of the roles of the Treasury and the Bank of England. Mr Lamont wishes to persuade the world that the citadel on Great George Street still knows best. It does not, as the whole world now knows all too well.

Trouble at the regulators' ball

IT SEEMS like a very technical issue on which to go to war. Yet there has been no hiding the passion generated at this week's meeting in London of the International Organisation of Securities Commissions (Iosco). Mr Richard Breeden, the chairman of the US Securities and Exchange Commission, says that a proposed international standard for the capital to be held by securities firms and banks is imprudent in the extreme, and could lead to financial disaster in the event of a sharp stock market setback.

The European reaction to this idea has been apoplectic, not least because the standard has already *been enshrined in the EC's capital* adequacy directive. Is Mr Breeden right to be so gloomy? Probably not. The directive imposes tougher standards across the Community *than were in place on* Black Monday, 1987 – a drama which did not lead to spectacular failures among European securities firms.

Does it matter that securities regulators have so far been unable to agree on so basic an issue as capital adequa·y? Again, the answer is probably not. There are benefits to be derived from a harmonised approach to such regulation, but there are dangers as well.

Basle model

Although some members of Iosco think otherwise, the Basle model for bank regulation, which lays down centrally agreed standards for capital, may not be appropriate for the securities industry. Securities firms and banks have different regulatory requirements. If a bank gets into difficulties, it is likely face claims that are hard to meet because its main assets, loans, are not easy to sell. A securities firm, by contrast, holds its assets in marketable securities, so there is less risk of a *collapsing securities firm* causing a liquidity crisis in a financial system. On the other hand, because securities firms trade in vast volumes of securities, there is a risk of systemic problems from any large-scale failure to deliver stock to purchasers or payments to vendors. Thus international agreements on payment and settlement systems may be more important to reduce systemic risk in the securities *industry than are capital* agreements.

The main benefits of an international agreement on the *supervision* of securities firms and banks would be threefold. It would prevent financial centres seeking to gain advantage by lowering regulatory standards; it would reduce duplication of effort; and it might help to limit the risk of contagion, where trouble in one part of a financial firm or market leads to disaster in another.

Against that, monopolies in regulation have the same drawbacks as they do in other spheres of life. They reduce competition and innovation and encourage complacency. It is healthy that the Europeans have had their assumptions about *capital* adequacy tested so roughly this week.

Inherent trade-off

The main *public policy* issue is the trade-off which exists between the need *for* orderly and properly regulated markets *on* the one hand and for competition and *choice on the other. If regulators* seek to establish standards which apply across a broad front, how do they set them at the level which underwrites the one without damaging the other? And if they push things too far, they will be held accountable for market failures over which in reality they may have had little control. That in turn will lead to demands for ever more stringent regulations in order to protect the regulators' jobs and the taxpayer's pocket.

So unless there is a clear danger that the absence of such standards presents a threat to the system, a more pragmatic approach seems sensible. As it happens this is just what Iosco has achieved in its *principles for the supervision of* financial conglomerates, also published this week. These set out what is described as a spectrum of possible approaches to group-*based risk assessment, and leave* it up to individual regulators to decide which position to adopt.

Over time, regulations covering the workings of the securities industry are likely to converge across national borders. But for the moment, Iosco serves a useful purpose in debating the main issues and in improving contact and co-ordination between regulators across the world. It does not *have to be a standard-setting* body.

More secure on Wall Street

Five years after the crash, the US securities industry is less vulnerable, say **Martin Dickson** and **Patrick Harverson**

A short, crisp memo, containing good news and a *warning*, will be delivered over the next few weeks to every staff member of Goldman *Sachs*, one of the largest and most successful New York investment *banks*.

The good news will be the size of employees' annual bonuses, which should be particularly generous since Wall Street is nearing the end of its most *profitable* year ever.

But Goldman's management is *also expected* to caution *staff* against making extravagant changes in lifestyle, pointing out that fat years on Wall Street eventually give way to lean.

The warning is especially timely, just after the fifth anniversary of the stock market crash of October 1987. For while the US securities industry is flying high now it faces three unsettling questions:

First, how long can the current strength of profits last? Second, to what extent has the industry protected itself against cyclical downturns through a series of management initiatives taken since 1987?

And third, which securities firms will be squeezed hardest over the next decade by intensifying competition, coming from *three directions*: the increasingly global character of the securities industry; the growing importance of technology; and the encroachment on the domestic securities industry *by US banks, notably* blue-chip J P Morgan?

Certainly, the best US securities firms seem better placed to withstand any impending difficulties *than they were in the bullish 1980s*, which ended in a succession of traumatic shocks that changed the face of Wall Street. The 1987 crash scared individual investors away *and forced the retail brokerage* firms serving this market to cut operations. Then the collapse of the junk bond market in 1990 brought an end to the takeover boom, destroyed the upstart investment bank of Drexel Burnham Lambert, and left several other large firms – notably First Boston and Shearson Lehman – in financial crisis.

These events, combined with the complexity of a business growing increasingly global and reliant on computer technology, have forced Wall Street firms to adopt a more professional approach to management. "Managements didn't get religious about planning until after the '87 crash and they then became obsessed with it during and after 1990," says Mr Michael Flanagan of consultancy Lipper Analytical. The elements include:

- More formal management structures, imposing better checks and balances on policy decisions, often coupled with devolution of responsibility down the line to executives. Probably the last big firm to undergo such a change was Salomon Bros, where the new executive team installed after last year's Treasury bond trading scandal has updated the company's outdated management system.
- Better management reporting and cost controls. Mr Herbert Allison, executive vice-president for finance at Merrill Lynch, the securities house, notes that in 1985 the firm "could produce only one bottom line for 90 per cent of our business. We had no way to determine where we were earning or losing money. Now we have 3,000 bottom lines and can quickly spot variance from budget and take action."

Staff constitutes the largest element of Wall Street's costs – about 75 per cent in many cases – and the industry's *headcount* has dropped sharply over the past five years, from a peak of slightly more than 262,000 to just below 224,000. Salaries remain high by the standards of other industries, *but* are now more closely related to an individual's performance. Many of the job cuts have been in support staff, increasing the ratio of revenue producers to non-producers.

All this has been accompanied by a rise in the status of managers handling budgets, expenses and computer technology – traditionally referred to rather contemptuously as back-office staff. Goldman Sachs, for example, recently moved three partners from its investment banking operations to add clout to *the firm's financial administration*.

Mr Stephen Friedman, co-chairman, explains: "We said to ourselves: 'We are a complex multinational business like many of our *clients. Should we not give our*selves the kind of resources we would employ for them?'"

- Better management of balance sheets and an improvement in asset *quality. Wall Street learned* a harsh lesson about liquidity when crises at Drexel, First Boston and Shearson left the firms short of new capital, and in some cases dissuaded their regular lenders from rolling over short-term borrowings.

This would not have been a problem if assets could have been sold quickly. But the three had trouble either raising new capital or liquidating their inventories, packed with high-yielding but difficult-to-sell securities such as junk bonds. In the end, First Boston had to be rescued by its largest shareholder, Crédit Suisse, and Shearson by its parent, American Express. Drexel, lacking a deep-pocketed associate, went into bankruptcy.

Fearful of similar problems, other securities houses fortified their balance sheets with more equity capital, and with higher-quality, easily disposable assets – such as government bonds, municipal bonds and mortgage-backed securities.

The importance of better liquidity was underlined last year when Salomon Bros became embroiled in financial scandal. Over a period of just three weeks it raised about \$50bn to pay lenders who had refused to extend short-term loans.

The rush to improve asset quality, however, has a downside. The returns from trading higher quality assets such as government bonds are smaller than those from higher yielding securities. Because of this securities companies have "leveraged up" – increased borrowings against their equity – in an effort to maintain their return on assets.

That said, firms are also devoting greater resources, including computer programs, to analysis and control of the financial dangers, whether of poor credit risks or the trading of complex derivative products such as *swaps* and options.

Yet, however elaborate these precautions, human fallibility will always leave traders open to large losses, and US regulators fear that the risks inherent in complex derivative products are not fully appreciated. "If we get a sudden market drop there are going to be some big institutions which don't understand their exposure," warns one prominent Wall Street executive.

In addition to management changes the US securities industry has also *adopted new strategies, for* example, the diversification of business. The securities industry has always been cyclical, with revenues tied closely to factors it cannot control *such as stock prices*, interest rates and investor demand. In response, Wall Street has been seeking to move away from volatile trading-related businesses and into fields where revenues are relatively stable, and preferably fee-based.

A good example is asset management, where Merrill Lynch has been particularly *successful*. By the end of last year it was managing \$345bn of client funds, making it the largest custodian of individual assets in the US. One of the firm's goals is to cover fully its fixed costs with "stable revenues" (such as asset management) by the year 2000, "so that we'll be assured of profitability in almost any environment", according to Mr Allison.

Even at the most diversified firms, however, asset management *still accounted for not* much more than 10 per cent of non-interest revenues last year, and securities houses remain highly dependent on traditional sources of income – investment banking (advising firms on takeovers and underwriting issues of securities); using the firm's own money to trade securities and foreign exchange; and taking commission from clients for buying and selling securities on their *behalf*.

The various management and strategy changes have strengthened the industry. This is perhaps just as well, for after two years in which a buoyant stock market, falling interest rates and low inflation have ensured strong *profits*, the outlook may be turning harsher.

Stock market activity has slowed, demand for equity and bond underwriting services appears to have peaked and interest rates may start climbing again next year.

This comes, moreover, as the industry is facing increasing competition from many directions. The Glass-Steagal Act, which has divided commercial banking and the securities industry since the early 1930s, is still in place, but is becoming fuzzier and may be swept away before the decade is out.

In the retail field, the large, established brokers are facing pressure from cut-rate houses such as Charles Schwab, from mutual fund managers and from commercial banks. For example, Nationsbank, *one of the country's largest regional* banks, this week announced a joint venture with brokerage Dean Witter to offer securities at its branches.

In the wholesale field – providing services to large institutions and corporations – the main challenge comes from a handful of well-capitalised banks which has been given permission by the Federal Reserve to underwrite issues of securities.

None is more threatening than J P Morgan. Its new securities arm has already leapt from nowhere to number seven in the list of corporate bond underwriters over the past few years.

What remains unclear is whether the inroads of *J P Morgan* and other banks will inflict most damage on the top half dozen Wall Street houses – the integrated firms with a wide range of services and big *international* operations – or the middle-rankers just beneath them.

Certainly, the middle-rankers are likely to suffer from lack of financial and human resources in an *industry which is becoming increasingly globalised* and more and more reliant on expensive computer capital equipment.

By contrast, the handful of top US investment banks that has already established strong global operations – notably Goldman Sachs, Morgan Stanley, Merrill Lynch and First Boston – are significantly more powerful *international players* than their would-be European and Japanese competitors.

In some cases their international operations are growing much faster than their American business. Mr Richard Fisher, chairman of Morgan Stanley, predicts that one of the firm's top five officials will need to be located outside the US before too long. He also argues that, since securities markets are by nature volatile, there is limited value in trying to predict which products are going to sell best.

"The important thing is to be able to respond to market changes and move people *quickly*. That *is one of* the keys to managing a global investment bank."

The road to higher profits

Broker rankings

	Revenue 1991	Revenue 1986	Net income 1991	Net income 1986
	\$ billion		\$ million	
Merrill Lynch	7.26	6.91	696	454
Shearson Lehman	5.43	4.40	207	93
Salomon	3.54	2.30	507	516
PaineWebber	2.11	1.66	151	72
Bear Stearns*	1.24	1.22	143	173
Morgan Stanley	2.86	1.43	475	201
A G Edwards**	0.85	0.52	92	54
Charles Schwab	0.57	0.24	50	32
Smith Barney†	1.34	0.88	152	61

* Year end Jun 30, 1990 and Apr 30, 1987
** 12 months to Nov 30, 1991 and Feb 28, 1987
† Year ended Mar 1987

Top 10 US underwriters
Investment-grade debt*

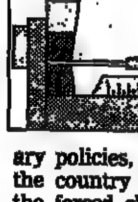
	Amount 1991	Amount 1990	Issues 1991	Issues 1990	(1990 rank)
	\$ billion				
Merrill Lynch	48.59	29.18	327	242	(1)
Goldman, Sachs	40.10	16.78	351	107	(3)
Lehman Brothers	30.57	7.11	361	46	(6)
Morgan Stanley	23.62	22.68	165	152	(2)
First Boston	20.99	9.57	193	65	(5)
Salomon	15.50	13.57	86	87	(4)
Kidder Peabody	5.66	2.40	90	16	(7)
J P Morgan	4.75	0.44	75	4	(13)
Bear Stearns	1.98	1.66	16	16	(8)
PaineWebber	1.87	1.05	11	15	(9)

* Excludes mortgage-backed securities, asset-backed securities, convertible bonds and junk bonds

PERSONAL VIEW

How to avoid a slump

By Bryan Gould



Britain's humiliating departure from the exchange rate mechanism seems to have left the government bereft of an economic strategy. The prime minister talks of expansionary policies, but the assertion that the country can now benefit from the forced change smacks more of *making the best of a bad job than* conviction. Notwithstanding yesterday's long-awaited Mansion House speech, the uncertainty remains.

Labour, too, has yet to find its voice – *partly, perhaps, because of* lingering embarrassment about its own past support for the failed policies and partly because its continuing need to seem more papist than the Pope induces an *unnecessary* degree of caution.

The danger is, therefore, that a government short of ideas itself will listen to the only political voices raised on the question *of what to do* next. The Thatcherite right is in no doubt that massive cuts in public expenditure are now needed, despite the obvious risk that this will *simply intensify the recession* by encouraging it to feed on itself.

Yet there is surely no absence of a coherent strategy with which to extricate Britain from its present *predicament. Parallels are never* exact, but there is a striking similarity between the present plight – as we pay the price of two years of the ERM – and the recession which accompanied and followed our adherence to the gold standard.

The Keynesian remedies then adopted offer a guide to what should now be done. The first step must be to understand and acknowledge the truth about the *exchange rate and its impact* on Britain's competitiveness.

The government must now renounce the self-delusion which led it to believe that, with a massive trade deficit in the middle of a deepening recession, the UK was competitive with the Germans at DM2.95 to the pound.

It should assert that the depreciation is not just a happy accident, but is an essential precondition of recovery and that henceforth industry can have the assurance, on which it can safely base its investment plans, *that a competitive rate* will be maintained.

This will enable the government to bring down interest rates much further than it has so far contem*plated. Interest rates at 8 per cent* are still very high in real terms, and they seem even higher to those who are feeling poorer as a consequence of the savage asset deflation of the *past two or three years*.

Low interest rates and a competitive pound will raise demand for British goods at home and abroad and will stimulate output. That will be *reinforced* by the third element in the necessary package of measures – a substantial, counter-cyclical increase in public investment, to build the houses that are needed, *provide* and restore the infrastructure that has been neglected, and stimulate a productive sector that has been starved of activity.

But how, it will be asked, is such *an increase to be financed? Surely* the public sector borrowing requirement is already spiralling out of control? Is it not necessary to do precisely the opposite of what I propose – *to cut spending or raise* taxes or both?

And if my advice were followed, would not increased public spending inevitably lead to increased borrowing, thus forcing up interest rates and negating the benefits of escaping the exchange rate imperative of keeping interest rates high?

The answer to this dilemma is that, in the short term, the government should not attempt to fund the extra spending. After all, in the Thatcher years there was a fivefold increase in the banks' creation of private sector credit, a credit explosion which flowed directly into asset inflation, consumption and imports. Surely a government prepared to preside over that irresponsibility could now essay a modest credit expansion of its own, espe*cially when it would be put to so* much more constructive purposes.

A deliberate policy of underfunding in the short term would provide a stimulus to industry and keep *interest rates down*. The current circumstances of high unemployment and low business confidence are exactly those in which a cheap money policy is not only appropriate but could be expected to work. As soon as it did work, and circumstances changed, a change in that policy would also be required.

There will be those who cry that monetising the debt in this way would be to take unacceptable risks with inflation. But why should we shy at ghosts? Only ideologues could argue that the UK's most pressing problem is inflation, when it is teetering on the brink of a disastrous slump. When that danger has been averted, there will be time enough to give priority to inflation.

And as this package of measures does its work, it will also bring with it a solution to the PSBR problem. The evidence from the 1980s boom is that the revenue is remarkably buoyant when economic activity is at a high level. The most effective solution to the problem of the deficit – and to the problems created by the government's failures and now faced by the whole country – is to end the recession.

The author is a member of parliament and former member of the shadow cabinet

Joe Rogaly

Nowhere else to go

Major deserves total support in next week's Maastricht vote despite the treaty's flaws

Whatever else *may be said* about the prime minister, and much of it has been said here, his determination to press ahead *with ratification* of the Maastricht treaty is wholly to his credit. He deserves, *on this* matter, total support, starting with a Yes vote at the end of next Wednesday's debate. He is doing his best to achieve this, by using a *combination* of charm and whips' threats to reduce the number of Tory rebels.

Mr Major's detractors might argue that he has no option, that his personal future depends on his being able to demonstrate that he can reassert his authority over the Conservative party. To that end he *must* get the wretched ratification bill through. Agreed, but there *is* a more noble reason for voting Yes. It is, simply, that Britain is in Europe whether it likes it or not. That means taking part in *whatever games* the big nations, particularly France and Germany, are playing at any given time. This perception has informed the policies of every prime minister since Harold Macmillan conceded, in July 1961, that the British-inspired European Free Trade Area, a ring of seven dwarfs around the then European Economic *Community, was no* substitute for the real thing.

Yes, I did say "every" prime minister. *Lady* Thatcher would doubtless oppose the Single European Act with all the force at her command were it to be introduced today. As Mrs Margaret Thatcher she whipped it through with a determination at least equal to *the stubbornness of which Mr* Major is accused by the Europhobes when it comes to the Maastricht bill.

The prime minister's answer to a question in the House on Tuesday summarises his approach. "I believe that we *have had three historic mis*takes over the last 30 years in European policy," he said. "The first was when we *failed* to join the Community at the outset." In fact it was Anthony Eden, a failed prime minister to whom Mr Major has over recent weeks been compared, whose government declined to send even an observer to the *Messina gathering of foreign* ministers of the six in 1956. It was there that work began on the Treaty of Rome, while Britain dreamed on, tossing and turning as it relived its imperial past.

The Rome treaty was signed *on March 25 1957, 10 weeks* after Eden's departure. Its signatories' mission, contained in the opening words of the preamble, was to "lay the foundations of an ever closer union among the peoples of Europe". The other two "historic mistakes" referred to by the prime minister on Tuesday were, of course, the French vetoes exercised in 1963 and 1967. "Today," said Mr Major, "we have more of a chance than ever we have had before of building a European Community in the image that we in *this country wish to see.*"

Had it not been a poor season in which to do so, he might have concluded with words penned in 1989 by the president of the Board of Trade, Mr Michael Heseltine: "The conditions which made it possible for *Britain to be semi-detached* from Europe for so long have vanished forever. There is no empire to *sustain us*; we are no longer an industrial superpower; we can no longer pretend that Britain is in any sense an equal partner of the US. There is nowhere for us to go except as part of a European consortium." Mr Major is no *wordsmith. But he did quite* well yesterday, pointing out that "people who work in Sony *factories in Wales and Nissan* factories in the north" would not regard it as sensible to call into question the UK's commitment to Europe.

I suspect that it is this kind of thinking that led Mr Kenneth Clarke to accept the Maastricht deal without reading the fine print. The home secretary had no need to strain his eyesight. Having given negotiation its best shot, the government, including all its ministers, can *only accept the deal* that at least 10 of the 12 members of the EC are willing to sign. I *have* ploughed through the treaty and, like many others, wish that some of the things that are there were not. The dread Commission pops its pry*ing head into* every sub-clause that matters, including those from which it is asked, in this *or that main clause or else*where, to exclude itself. Subsidiarity is a wonderful concept, but a proper definition remains elusive.

'Very well, alone' was a brave battle-cry 50 years *ago; today it is the pathetic* bleat of the self-deluded

This kind of thing greatly exercises the Euro-phobes, who have learned to quote chapter and verse at *every stage of* every argument. The threats thus conjured up certainly are *frightening. Some* government ministers attempt to soothe us by asserting that the Europeans take little notice of the legalities, so there is nothing to fear. Some pro-Europeans sigh and ask whether anyone has thought of the spirit of European integration.

All of this is beside the point. There is one unanswerable *argument for ratifying Maastricht: Britain has nowhere else to go.* When even the Swiss knock on the door of the future European Union, opponents of British membership have lost their last rational objection. "Very well, alone" was a brave and stirring battle-cry half a century ago; today it is the pathetic bleat of the *self-deluded. We would be well* advised to stay with our partners even if the Maastricht treaty had been expressly federalist in intent. If the exchange rate mechanism is seen to be still in working order in a year or so, we will be begging to rejoin that. In the highly unlikely event of a single currency being established, *we will, sooner or later,* be on our knees pleading to participate.

It may be protested that if Denmark can reject the treaty, as they have done once and may do again, then Britain should have the same opportunity. But Denmark is not one of the great powers of Europe. It is not burdened by a long history of obstructive opposition to every step the others take. It does not need to prove its commitment. Britain *does.* If it rats on Maastricht now it will pay a high price.

Mr John Smith is well aware of all this. He has been a strong European since at least October 1971, when he defied the whips and voted for entry. Yet the leader of the Labour party has chosen this week to hide behind quibbles over the Danish position in an effort to justify a No vote next Wednesday. Lest that be seen through, *Labour is* arguing that what will be on offer is a vote of confidence in Mr Major, which they feel obliged to oppose. Every vote these days is a vote of confidence in the prime minister, but Labour's position is pure humbug. It has moved *from being the party of Europe* to being the party of Europe-when-it-suits-us.

If there really was a possibility of forcing a general election Labour's position might be defensible. Mr Smith knows as well as anybody that this is not on. Yesterday the prime minister promised a substantive motion to be debated "on its merits". *That should retain the* support of the Liberal Democrats while shaming Labour. Mr Major's personal position is primarily dependent upon how quickly the recession is conquered. A defeat next week might finish him. A Yes vote *would boost his authority*, and ease the passage of the ratification bill. It would not clear away the *blizzard of misfor*tune which has struck the prime minister since Black Wednesday. That may run right through the winter.

Trevor Humphries

Self-confidence: promises motion to be debated 'on its merits'

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Consultants and 'hazy' reputation

From Mr Adrian Williams.

Sir, Andrew Jack, in his objective overview of the present management consultancy scene (FT Survey, "Focus has to sharpen", October 21), comments that some larger firms see professional associations as "a waste of time".

I am bound to accept that his comment is accurate. And that *is regrettable because, without* the involvement of the large-firm consultants, the profession can number only one in four of practitioners in the UK. There are at least 6,000 consultants practising ethically and competently beneath the banner of their firm's commercial reputation.

If those consultants were *to join their independent profes*sional body, clients would benefit from a strong profes*sion that would, in time, draw* in all ethical and competent practitioners – and would exclude all those who were not.

The terms "qualified" and "unqualified" would then take on real meaning; and management consultants would no longer have to be concerned that, as Mr Jack so well expresses it, "their reputation *as professionals remains hazy*".

Adrian Williams,
president,
Institute of
Management Consultants,
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Trust broken if pay review suspended

From Miss Ruth M Ashton.

Sir, With *rumours mounting* that the government is set to suspend the pay review bodies ("Salary review bodies could be overridden", October 28) the UK's 38,000 midwives are quite rightly feeling angry and betrayed.

The pay review body may not have always delivered exactly what midwives wanted, *but it has always been seen to* be fair, to have provided stability and to have removed midwives from confrontation with government. Midwives have promised never to strike in pursuit of pay claims; they care too much for their clients' welfare. In recognition they only ask that the government deals fairly with them. Suspending the pay review body would challenge this trust.

It cannot be right that the existence of the pay review body should be sacrificed on the altar of a public sector pay freeze.

As general secretary of the Royal College of Midwives, I have written, together with my colleague at the Royal College of Nursing, to John Major, the *prime minister, seeking urgent* clarification of this situation. It cannot be right for Britain's midwives to pay for the hoped for economic recovery in this way.

Ruth Ashton,
general secretary,
The Royal College of Midwives,
15 Mansfield Street,
London W1M 0BE

Drug prices that bear some interesting comparisons

From Mr C Sonabend.

Sir, With reference to Paul Abrahams' article "Cost of prescribed drug ingredients rises 22 per cent" (October 23), it seems to me the cost is based on "get as much as you can" *from Britain's National Health* Service.

As a diabetic I am naturally *interested in the cost of insulin* and during my recent travels I have found some interesting cost comparisons. The retail price of a bottle of insulin manufactured by a Danish company is $16 in the US and FFr38 in France; though free on prescription in the UK the bottle is priced at £14.99.

When I asked the Depart*ment of Health for an explana*tion I was fobbed off with gobbledegook. No wonder the NHS is short of funds.

C Sonabend,
62 Elsworthy Road,
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Driven to distraction

From Mr Peter Wood.

Sir, Dominic Lawson's stress (October 24) on the need for companies to pay more attention to customers in a recession *is* expanded impressively by the report on sales-people by Sales and Marketing Solutions of York ("Shaken sales staff slip up on job", October 26). Throughout 1992, as ordinary consumers, my wife and I have had sales-people-related *problems in parting with mod*est amounts of money to buy shoes, compact discs and, most recently, cars for each of us. My wife's request to change her VW Polo for the latest model was met with disbelief and it was only by showing impatience and insisting she was not window-shopping *but wanted to buy a car* that she succeeded. I put in a request to garages for figures to change my own G-registered vehicle in July and received no response. As an experiment, this month I tried 10 car dealers (Peugeot, Renault, VW-Audi, Mercedes-Benz etc). Only three dealers responded immediately and only one of them (Mercedes-Benz) was animated and keen enough to ensure I changed the car.

When I read in your pages of a recession in the UK car industry, I now add mentally "largely self-induced".

Peter Wood,
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Duntisbourne,
Gloucestershire GL7 7JN

UK misguided not to see need to counter competitive dangers

From Mr Richard Corbett.

Sir, Ian Davidson's point ("Manifesto of despair", October 19) on competition among EC member states to cut costs leading to "pressure to cut out all forms at economic activity which are not immediately profitable" is a pertinent one. *The other member states are* all acutely aware of this danger. That is why they have agreed the social protocol annexed to the Maastricht treaty in order to lay down minimum social standards that cannot be undercut by states seeking to gain competitive advantage by devaluing social standards.

The UK government did accept this argument when it comes to environmental standards, consumer protection, public health requirements and a host of other areas.

It is a shame that, for rea*sons of misguided ideological* doctrine, it was unable to sign up to the social dimension, which remains equally indispensable.

Richard Corbett,
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Belgium

A yearning for people to take responsibility for their mistakes

From Prof Michael D Stephens.

Sir, I am curious as to what now constitutes a resigning matter for a cabinet minister or one of the government's hirelings such as the governor of the Bank of England? Obviously professional ineptitude no longer triggers such action. *What are a few thousand bank*rupts or a couple of billion pounds of the taxpayers' money squandered when you can brazen out your botching? Sexual fumbling can make our masters look foolish, but will not necessarily lead to their exit. A cynical citizenry now expects dishonesty and lying from the great and far-from-good.

Perhaps the only thing which will remove such people, rarely gracefully, is if colleagues find that their continuing presence puts them at risk.

I must be getting danger*ously old as I long for a little* more morality, like telling the truth and taking responsibility for your mistakes, in our national life.

Michael D Stephens,
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OBSERVER

Tyson packs a punch

■ Should there be a Clinton administration in the White House, who will be the chairman of the Council of Economic Advisors?

Will it be an FOB – "Friend of Bill" – or an academic high-flyer?

During the campaign, Clinton has relied heavily on the ideas of Robert Reich, a professor at the Kennedy School of Government and old *friend from his Oxford days,* and Robert Shapiro of the Progressive Policy Institute, a Washington think-tank. Though both would play important roles in a Clinton presidency, neither seems right for the CEA.

Reich – a guru in the Jacques Attali mould – seems more likely to serve as a top policy adviser in the White House, while Shapiro may get a senior post at the Office of *Management and Budget.*

Among the academics, two of the most obvious choices for the post are Larry Summers, chief economist at *the World Bank, and Alan* Blinder, a Princeton professor and columnist for Business Week. Paul Krugman of MIT is also a strong contender.

Summers has a combative personality and can offer first-hand experience of policy-making in a large bureaucracy, although his role *as a senior adviser in the* ill-fated Dukakis campaign might count against him.

Maybe the dark horse is Laura D'Andrea Tyson. As *Arkansas governor,* Clinton had a female chief of staff and gained a reputation for promoting women. Tyson, a professor at the University of California's Berkeley campus, made a strong impression at economic briefings in Little Rock and shares some of Clinton's economic prejudices; she believes the US should play hardball on trade, and should seek reciprocal concessions before opening its markets. She also advocates a national strategy to promote *high-tech industries. That* should go down well in Silicon Valley.

At the coalface

■ The sudden transfer of Robert Priddle out of his job as deputy secretary responsible for energy matters at the *department of trade followed* uncomfortably close on the heels of the recent debacle over coal pit closures.

The DTI, which has put Priddle in charge of the corporate and consumer affairs division, insists that this "career move" simply frees the department from any accusation that the review of energy policy on which it has now embarked was in danger of being prejudged.

The review will be headed instead by Priddle's successor, Charles Henderson, a 53-year-old civil servant who is also a qualified actuary. *Henderson has done spells in* various energy divisions of government, though his most recent post was as head of the office of arts and libraries.

Described by colleagues as personable and endowed with the necessary sense of humour, he includes mountaineering among his interests – doubtless of much use as he labours with the piles of paper which the three-month energy *review is certain to produce.*

Bread-winner?

■ *Tony Alexander, chief* operating officer of Hanson, was last week unwittingly lunching with the enemy. For, just two days before the Anglo-American conglomerate published its offer document for Ranks Hovis McDougall, he was to be seen at the Hyde Park Hotel with Tomkins boss, Hanson alumnus, and author of yesterday's recommended bid for RHM, Greg Hutchings. "He is a personal friend and this was a longstanding *engagement* set up three months ago," Hutchings explained yesterday.

But is Hutchings, who was UK corporate development manager at Hanson in the early 1960s, up to the minute with his former bosses' psychology? He says Hanson will be philosophical about the recommended bid; he has walked away from dozens of deals. We'll see.

"Nigel's a big Euro-sceptic"

Prize money

■ Meanwhile, did winning four out of *ten categories in the* Nasdaq International Investor Relations Grand Prix 1992 last week go to Tomkins' head?

News of the offer for RHM, financed with *the aid of a* one-for-two rights issue, trimmed nearly 19 per cent off the share price. Perhaps Tomkins overestimated just a touch *how much* its shareholders love it.

Ouch

■ Lord Tebbit, former Conservative party chairman, still knows how to hit where it hurts. So what better place to deliver his keynote speech on Europe last night than the Salisbury club in Henley, *constituency of Michael* Heseltine, perhaps the foremost pro-European in John *Major's cabinet.*

First, he questioned his pro-EC credentials. "I do not advocate leaving the European Community. I supported our membership when your MP was hostile to the Community and I still do."

Next, he attacked his apparent unwillingness to debate the Maastricht treaty. "*When your MP and I were* invited by Lord Joseph to share a platform provided by the Centre for Policy Studies to debate the treaty, I accepted and he refused."

Finally, he criticised "the grotesque farce of Heseltine's *presentation of government* coal policy". With party colleagues like these...

Shome mishtake

■ The Foreign Office, not an organisation reputed for its openness, on Wednesday took the unusual step of issuing journalists with an internal memorandum throwing doubt on the latest Danish proposals on the Maastricht Treaty.

But it was all an unfortunate mistake, embarrassed officials now declare. The memo was stapled to a batch of documents on Hong Kong *prepared for release to the* press. So even the Foreign Office could not deny its existence. But, true to form, it stated that the memo was *already out of date.*

FINANCIAL TIMES
Friday October 30 1992

Bundesbank options limited by worse-than-expected inflation figures

Hopes of German rate cut recede

By David Waller in Frankfurt

HOPES of a quick and substantial cut in German interest rates receded yesterday after the publication of consumer price inflation figures for October which were worse than expected.

According to a provisional estimate by the Federal Statistics Office in Wiesbaden, annual consumer price inflation in October in western Germany was 3.8 per cent, a month-on-month increase of 0.4 per cent from September. Economists were expecting inflation on an annual basis of at most 3.6 per cent.

The estimate, based on data from the states of Bavaria, Baden-Württemberg, North Rhine-Westphalia and Hesse, defied expectations that the strengthening of the D-Mark since the currency turbulence of last month would damp inflationary pressures. The D-Mark has appreciated by 8 per cent against all currencies since the beginning of the year.

The Bundesbank held its twice-monthly council meeting yesterday and left its key Lombard and discount rates unchanged – at 9.5 and 8.25 per cent respectively.

The Bundesbank does not react to a single month's inflation statistics. But the data would make a cut in the internationally sensitive Lombard rate and the key discount rate more difficult to justify however intense the pressure for further easing because of deteriorating economic conditions.

This week, Germany's five leading economic research institutes urged a rapid relaxation of rates and said the west German economy was in a "critical state".

Recent speeches from influential members of the central bank's ruling council have made clear that fighting inflation is the main objective of monetary policy.

The bank has taken pains to explain that it has reduced interest rates sharply. Money market rates have dropped by nearly a full point since early September.

The fall in money market rates – and comments playing down the importance of M3 monetary growth – has led to expectations of substantial rate reductions in coming months. But further cuts will be difficult, if not impossible, to justify while prices are rising.

Prices were driven up by inflation of 4 per cent in Hesse, by 3.6 per cent in North Rhine-Westphalia, 3.9 per cent in Bavaria and 3.3 per cent in Baden-Württemberg.

Ireland's coalition government faces split

By Tim Coone in Dublin

IRELAND faces the possibility of an imminent general election after the emergence of apparently irreconcilable differences between the leaders of the two coalition parties in government.

On Tuesday, Mr Albert Reynolds, the prime minister, accused Mr Des O'Malley, his industry minister and leader of the Progressive Democrat party, the junior partner in the coalition, of being "reckless, irresponsible and dishonest" in giving evidence in June to a parliamentary inquiry into the country's beef industry.

Mr Reynolds made the accusation from the witness box of the inquiry, where he has been defending his record as industry minister in 1987 and 1988, when he authorised export insurance cover to a number of Irish companies for beef exports to Iraq.

Mr O'Malley has not responded publicly to the accusation, but his party issued a statement on Wednesday saying it had "undermined the effectiveness of the government". Yesterday Ms Mary Harney, a PD deputy and a junior minister of state, said after speaking to Mr O'Malley: "We cannot now pretend it is business as usual and that everybody can go into a cabinet room as if nothing has happened. That would be terribly dishonest and the government in those circumstances just couldn't be effective."

She said Mr Reynolds "should either dismiss Mr O'Malley or he should withdraw his allegation. He can't have it both ways."

Under cross-examination yesterday at the beef inquiry, Mr Reynolds stood by his allegation. He said he considered a figure given by Mr O'Malley of a "potential liability" to the state of I£170m ($295m) as a result of Mr Reynolds' decisions in granting export insurance cover to Iraq, was dishonest. "The claim of I£170m is incorrect," he said.

Relations between the coalition partners have deteriorated sharply in recent weeks, because of differences over the administration of industrial development policy, and over the wording of an abortion referendum to be held in December. Further deep rifts are expected to emerge when next year's budget is discussed.

EC abortion ruling, Page 2

Fighting talk from Europe's last prince with real power

By Ian Rodger in Vaduz

"IF THEY want someone who will just do representational work, they must look for someone else."

With those fighting words, Hans Adam II, the reigning prince of Liechtenstein and the last European monarch with real power, yesterday dismissed suggestions following Tuesday's confrontation with his parliament that his considerable influence be curbed.

In an interview in his palace office overlooking his tiny principality, the prince also claimed responsibility for the compromise that solved the dispute about when to hold a referendum on Liechtenstein's entry into the European Economic Area. The EEA will group some 20 countries from January.

Earlier this week the 47-year-old prince threatened to dissolve parliament because it refused to hold the referendum before a similar one in neighbouring Switzerland in December.

But on Wednesday night, nearly 2,000 citizens – out of a total population of only 29,000 – took to the streets of Vaduz to protest at the prince's tough stand, quaintly demanding both monarchy and democracy. "It is clear to me that dissolution would not have been very popular," the prince said.

Under the compromise, the referendum will take place after the Swiss one, as parliament wished, but the government has agreed to promote a positive vote on the EEA and, in the event of a rejection, would explore joining the European Community in co-ordination with the Swiss.

Power game: Prince Hans Adam II of Liechtenstein

However, the prince made no apology for his determined stance, claiming that a majority of his subjects still like having a monarch who has power. He said the clash with parliament and the government had been building up for some time as each side tested the other's willingness to exercise its powers.

His main concern for more than 20 years had been his country's over-dependence on Switzerland, with which it has a customs and currency union. He knew the time would come when Switzerland would move towards European integration, and Liechtenstein had to be ready. "I have been shaking the emotions of people for 20 years," he said.

He pressed the principality to join the Council of Europe and to become the 160th member of the United Nations in 1990.

His worry in recent months has been that if Swiss voters decided in their December referendum not to move towards integration, Liechtenstein risked being isolated, and its export-oriented manufacturing industry – mainly precision engineering – would suffer.

He said the EEA was the best solution for his country and full membership of the EC was second best, even though it might bring a flood of tax refugees from neighbouring countries. "It is better to have tax refugees than isolation," he said.

He was confident that once emotions calmed down, there would be no drive to amend the 70-year-old constitution. But if the people did want a change, "no problem on my side".

Like a true monarch, he defended his role. "I think we should consider carefully if we should throw out the way we do things. The reigning prince pays everything out of his own pocket". But if the people wanted a purely symbolic monarch, he and his family would live abroad again, "as we have in the past", and he would look after the family fortune.

He had no fears of a decline in Liechtenstein's ability to act as a tax haven as it moved closer to Europe.

Tomkins makes bid for RHM

Continued from Page 1

three years working for Hanson as UK corporate development director, before buying into Tomkins, then a tiny engineering company, in 1983.

He said yesterday: "We would not be bidding unless we had been there first. That's not our style." Of his 70-year-old former boss, Mr Hutchings said: "Lord Hanson is far too experienced and shrewd to be anything other than philosophical about it. He has walked away from dozens of deals."

Tomkins started buying RHM shares in May but only bought 14,000 shares in 1,000 share lots. It was yesterday buying more shares in the market.

In mid-August, Mr Hutchings telephoned Mr Metcalfe and suggested talks. Mr Metcalfe, who was about to go on holiday, arranged a meeting for September 16.

At this meeting, Mr Hutchings put forward a bid proposal and Mr Metcalfe invited him to present his ideas to a board meeting in mid-October.

Hanson's offer intervened on October 5, after which Mr Hutchings and Mr Metcalfe met again, although talks on price did not start until later.

It was Mr Hutchings' turn to be surprised when RHM announced its demerger proposal on October 16.

The purchase of RHM would represent a big jump in size for Tomkins, which has a market value of £1.3bn.

Tomkins is to raise $653m net of expenses through a rights issue, and has net cash of £150m.

Although RHM's businesses are outside the usual scope of Tomkins activities, Mr Hutchings said the offer was "totally consistent with everything we've done."

Lamont outlines UK's growth drive

Continued from Page 1

weeks and months ahead."

Mr Lamont's speech marked a significant shift in UK Treasury rhetoric towards the pro-growth policies outlined by Mr John Major, the prime minister, last week. But the chancellor insisted the government had not "gone soft on inflation" and reaffirmed its target of keeping underlying inflation in a 1 to 4 per cent range during this parliament.

The details of the government's spending plans and proposals to give the private sector a bigger role in financing capital projects will be announced in the Autumn Statement on November 12.

But, as one of a series of policy presentation reforms, Mr Lamont announced that government accounts would be drawn up to make a "proper distinction" between current and capital transactions from the first unified Budget, covering spending and revenue raising, in December 1993. This, he said, would "help to underpin the government's commitment to infrastructure investment in the longer term."

The chancellor's other steps to make the government's actions more accountable and transparent followed the shift to more discretionary policy making after Britain's exit from the European exchange rate mechanism last month.

In view of the Treasury's poor record of forecasting the economy, the chancellor said he would set up an independent forecasting panel which would help inform Treasury forecasting decisions.

He also said thatin future:

- The chancellor will publish a monthly monetary report following his regular meetings with the governor of the Bank of England. Apart from "certain market-sensitive items" this would set out the information on which policy judgments are based showing "the bad news with the good".
- The Bank will publish regular reports in its quarterly bulletin on how well the government is meeting its inflation objective.

Mr Lamont made no changes to existing rules for funding the public sector borrowing requirement. He disclosed that monetary policy will take prospective rather than current inflation as its guide because monetary changes take time to take effect.

He also made clear that the government would not ignore the sterling exchange rate in judging policy following Britain's departure from the ERM.

The chancellor said it was not surprising that consumer and business confidence had declined sharply after Black Wednesday. In a separate speech, Mr Robin Leigh-Pemberton, the Bank governor, warned that the world economy could slow further because of debt deflation.

But Mr Lamont said that the pound's departure from the ERM, although a setback, had given the UK greater flexibility in policy making. Britain had the lowest interest rates in the European Community while sterling's depreciation increased opportunities for exporters. These developments had "undoubtedly enhanced the prospects for recovery", he said.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	F	9	48	Frankfurt	C	9	48	Majorca	F	23	73	Oporto	R	16	61	Tenerife	F	23	73
				Brussels	F	8	46	Geneva	F	10	50	Malaga	F	23	73	Oslo	C	0	32	Tokyo	R	13	55
				Budapest	R	9	48	Gibraltar	F	21	70	Malta	S	29	84	Paris	F	12	54	Toronto †	C	3	37
Ajaccio	F	20	68	Buenos Aires	F	18	64	Glasgow	S	9	48	Manila	F	33	91	Prague	C	9	48	Tunis	S	24	75
Algiers	F	25	77	Cairo	S	27	81	Helsinki	Sn	-4	25	Melbourne	S	25	77	Reykjavik	F	1	34	Valencia	F	21	70
Amsterdam	F	9	48	Cape Town	C	17	63	Hong Kong	S	29	84	Mexico City		–	–	Rhodes	F	23	73	Venice	F	15	59
Athens	F	24	75	Caracas	F	29	84	Innsbruck	F	6	43	Miami †	S	22	72	Rio de Janeiro	C	38	100	Vienna	R	9	48
Bahrain	S	28	82	Casablanca †	S	21	70	Inverness	S	7	45	Milan	F	14	57	Rome	F	22	72	Warsaw	R	7	45
Bangkok	C	25	77	Chicago †	C	7	45	Islamabad	F	26	79	Montreal †	C	3	37	Salzburg	F	6	43	Washington †	Dr	11	52
Barcelona	F	16	61	Cologne	C	8	46	Istanbul	S	21	70	Moscow	C	-1	30	S'Francisco †	R	14	57	Zurich	F	10	50
Beijing	S	15	59	Copenhagen	F	7	45	Jakarta	R	31	88	Munich	F	10	50	Seoul	C	15	59	Temperatures at midday yesterday			
Beirut	S	24	75	Corfu	F	23	73	Johannesburg	F	24	75	Nairobi	F	23	73	Singapore	F	32	90				
Belfast	S	8	46	Dallas †	S	18	64	Lisbon	Dr	17	63	Naples	C	21	70	Stockholm	Sn	-1	30	† Noon GMT temperatures			
Belgrade	F	23	73	Dublin	S	8	46	London	C	8	46	Nassau	F	25	77	Strasbourg	F	12	54	C–Cloudy Dr–Drizzle			
Berlin	R	8	46	Dubrovnik		–	–	Los Angeles †	C	18	64	New Delhi	S	28	82	Sydney	F	21	70	F–Fair Fg–Fog H–Hail			
Biarritz	F	12	54	Edinburgh	F	8	46	Luxembourg	C	5	41	New York †	C	11	52	Taipei	C	25	77	R–Rain S–Sunny			
Bombay	S	34	93	Faro	C	19	66	Madeira	F	23	73	Nice	S	20	68	Tangier	C	21	70	Sl–Sleet Sn–Snow			
Bordeaux	F	13	55	Florence	C	20	68	Madrid	F	18	64	Nicosia	S	25	77	Tel Aviv	S	26	79	T–Thunder			

THE LEX COLUMN

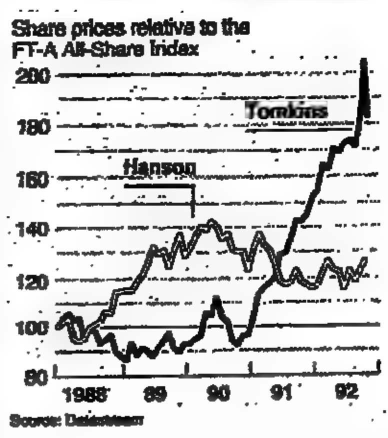
More bread from Tomkins

Any UK share price these days would shudder at the prospect of a £670m one-for-two rights issue and plans to garnish a food-free guns to bicycles conglomerate with bread and Bisto. The near 20 per cent fall in Tomkins' market capitalisation yesterday, however, reflects a deeper concern – that by entering the bidding for Ranks Hovis McDougall Mr Greg Hutchings is biting off more than he can chew.

Admittedly the sceptics have been wrong-footed before. Tomkins appears to have done its homework and has proved itself capable of digesting similar mouthfuls relative to its size. Nor is it as sinister as many suppose that other food companies are conspicuous by their absence from the bidding. Most of the obvious candidates for RHM are either discredited, pursuing strategies which specifically exclude milling and baking, or merely interested in picking over the company's corpse. That said, Tomkins is being forced to pay a full price, at least 15p to 20p more than Lord Hanson would probably have put on the table if his former protégé had not intervened. In the absence of any information on cost savings or tax benefits, Tomkins' shareholders have to take on trust the assurance that there will be no earnings dilution. They also have to hope that Tomkins' undoubted skill in dealing with US retailers translates to UK supermarkets, and that it can find the necessary marketing flair to make the British eat more bread. It all sounded suspiciously easy yesterday.

Hanson, of course, is torn between letting a second successive deal slip through his fingers and the risk of overpaying. While they sit tight for the next move RHM shareholders at last have a reason to be grateful to their board. The seemingly kamikaze-style defence – which at least underpinned its shares – does not seem so daft now after all.

FT-SE Index: 2642.3 (-8.1)



Source: Datastream

ICI

ICI's demerger plan could still be scuppered by the cycle. The proposed rump chemicals business made a trading profit of just £1m in the third quarter, including losses from associated companies. The shape of the business may change slightly, but the chemicals side will hardly be in a position to foot its share of ICI's £400m dividend bill next year. By maintaining that chemicals and bioscience will be run as separate units from the New Year, ICI is keeping its options open. It might be better advised to shelve the plan until the economic prospects are clearer.

ICI Bio is in better shape, although sales of Tenormin, the heart drug, have gone into a nose-dive since its US patent expired last year. With other drugs turning in respectable volume growth – and the benefit of a stronger dollar – bioscience could yet show respectable growth next year, even allowing for some drag from agrochemicals.

Judging by yesterday's dire results from DSM, ICI is possibly faring better than the competition in bulk chemicals. Even so, the prospects are so bleak that the immediate question must be whether ICI can afford to pay a maintained dividend this year. On the basis of yesterday's figures, it is touch and go whether such a payout would be fully covered by earnings. A lower dividend would ease the burden on the chemicals business if the demerger goes ahead. But it would hardly encourage shareholders to subscribe to an ICI Bio rights issue.

Rhône-Poulenc

The French government's proposal to enfranchise non-voting Rhône-Poulenc shareholders is unsatisfactory as it stands. Holders of non-voting stock are being offered a straight one-for-one swap for voting shares, but the public sector is left holding the majority of votes. In return for this minority position, holders of non-voting stock will give up strong preferential dividend rights. The deal only makes sense if the rationalisation of Rhône-Poulenc's capital structure paves the way for full privatisation.

Equally, the planned sale of 8m government-owned voting shares looks like an opportunistic move while Rhône-Poulenc is near its peak relative to the French market. Partial privatisations which absorb cash but leave the public sector in control are the worst of all possible worlds for equities generally.

There is always a chance, though, that the government will surrender its majority by allowing Rhône-Poulenc to make a rights issue. With gearing running above 80 per cent, the company could certainly use an injection of new equity. With a strengthened balance sheet, a simplified capital structure and free of the threat of state interference, the company could enjoy a rating more appropriate to the healthcare sector. But while the government holds the whip-hand the market is right to remain sceptical.

UK economy

In his Mansion House speech the chancellor asserts that he will need to exercise more judgment now that sterling has left the ERM. While that is patently true, it will not encourage the markets much. They took a pretty dim view of the government's judgment while sterling was buttressed by the D-Mark, and are disinclined to trust the unsupervised views of those who cried 'no devaluation' just before Black Wednesday. Nor will the proposed panel of expert forecasters prove a sufficiently robust policeman. As long as the exact recipe of Mr Lamont's nebulous inflation-predicting potion remains secret, investors are likely to regard it as snake oil.

Given that credibility is badly damaged, the chancellor might hope to rebuild his authority with an accurate assessment of the current situation and a coherent policy framework for the future. Yet there are still worrying signs that Mr Lamont has not fully absorbed how much debt deflation is depressing the economy. True, base rates have been cut, but the US experience suggests they have to fall much further to ease debt-servicing pressures.

The gilt market may take a little comfort from the chancellor's nods in the direction of balance between fiscal and monetary policy, and the need to guard sterling. But with the funding rule unchanged, the government will still have to sell more gilts next year than the total UK institutional cash inflow. In the circumstances it is hard to see long gilt yields remaining so close to those of French bonds.

FINANCIAL TIMES
COMPANIES & MARKETS

Friday October 30 1992

INSIDE

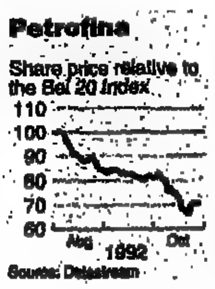
La Générale des Eaux bucks trend with rise

La Générale des Eaux, France's largest water distribution and public services group, bucked the trend in French industry by lifting net profits *by 9.7 per cent to FFr1.7bn ($211m) in the* first half. The group said it was on course for profits growth for the full year. **Page 22**

Lep blames rescue talks

LEP Group, the UK freight forwarding group and security concern, blamed heavy interim losses on uncertainty caused by rescue talks. Lep was brought to the brink of bankruptcy by borrowings of more than £500m ($815m) but reached agreement in August with banks to convert debt into equity. **Page 27**

Petrofina under fire



For a long time, as one Belgian stock market analyst pointed out *recently, the oil company*, Petrofina, was "a sort of sacred cow", one of the largest stocks on the Brussels bourse, and beyond criticism – at least at home. But since summer, *shareholders* in Petrofina have had much to criticise. **Back Page**

United Airlines falls 14%

UAL, parent *of* United Airlines and one of the three largest US carriers, revealed a 14 per cent drop in third-quarter net income to $21.5m (£13.1m) *from $25m the previous year*. United's weak showing follows *poor third-quarter* performances from the other two US "mega-carriers" and summer "fares wars" which damaged passenger mileage revenue. **Page 23**

Dasa in Fokker takeover deal

Deutsche Aerospace (Dasa) of Germany is to pay Fl 880m ($503m) for a 51 per cent stake in Fokker, *the Dutch aircraft builder*, after months of intense negotiation with the Dutch government. The deal ushers in a restructuring of Europe's regional aerospace industry. It calls for Dasa to pay Fl 37 per share for 10.6m state-owned shares and 13.2m new shares – well above Fokker's price of Fl 17.60 on Wednesday. **Page 23**

Ecuador seeks Amazon oil fields

Ecuador's government is planning to explore new oil fields in its Amazon region. It needs to *encourage foreign investment, boost petrol* production and increase oil reserves if it is to secure its status as an oil exporting country into the next millennium. **Page 36**

Svenska may collapse

Svenska Kredit, Sweden's leading credit insurer, has filed for bankruptcy after its two main shareholders, Skandia and Trygg-Hansa SPP, and four leading banks failed to reach agreement over its future. **Page 22**

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Chief price changes yesterday

FRANKFURT (DM)				*Imm de France*	715	+	30
Rises				Skis Rossignol	650	+	37
Schering	720	+	8	***Falls***			
Falls				Accor Ent	699	–	30
Douglas	415	–	12	Fonc Lyonn	540	–	25
Karstadt	523	–	10	Schneider	520	–	23
Metallges	308.5	–	8.5	**TOKYO (Yen)**			
Philipp Kosmos	490	–	10	***Rises***			
Porsche	[illegible]	–	[illegible]	Chuo Denki	555	+	45
NEW YORK ($)				Denki Kogyo	950	+	65
Rises				Kanematsu	416	+	35
Chrysler	27⅛	+	⅛	Shoko	506	+	65
Falls				***Falls***			
Data General	10⅜	–	2¼	Takashima	439	–	31
Ford	37½	–	⅝	Teac	732	–	52
Gen Motors	31¼	–	⅛				
US Surgical	68½	–	3½				
PARIS (FFr)							
Rises							
Axa	812	+	32				

New York prices at 12.30pm.

LONDON (Pence)				Blenheim	490	–	14
Rises				Brabant Res	14	–	8
Aerospace Eng	16	+	3½	Cadbury Schw	451	–	14
Dale Elect	76	+	4	Howden	50	–	7
[illegible]	21	+	3	ICI	1036	–	14
Haemocell	249	+	25	Lionheart	11½	–	2
Norex	91	+	19	MFI	112	–	6
RHM	273	+	21½	ML Labs	945	–	36
Rowe Evans	40	+	3	Reuters	1178	–	20
SouthendProp	55	+	6	Tomkins	212	–	48
Waco	90	+	8				
Falls							

GM loses $753m in third quarter

By Martin Dickson in New York

GENERAL MOTORS, whose chairman resigned this week amid boardroom disapproval of *the group's financial performance*, yesterday reported a third-quarter net loss of $753m *and warned that the rest of the* year could remain difficult.

However, the company insisted it was "even more determined" to continue to shake up its loss-making North American operations, involving lower costs, improved efficiency and a better product line.

Mr Robert Stempel, the chairman who launched the restructuring last December, resigned on *Monday after pressure from* non-executive directors who argued he had not pushed sufficiently for *change in the world's largest* manufacturing company.

He will remain in the post until at least *Monday*, when the GM board is expected to name Mr John Smale, leader of the non-executive directors, as chairman and Mr John Smith, president, as the chief executive.

Yesterday's losses, equivalent to $1.37 a share, were better than the loss of $1.1bn, or $1.88 a *share, a year ago. Sales and revenues* totalled $29.4bn, up from $28.9bn. The figures met Wall *Street expectations and at lunch*time GM shares were $31¼, down $⅛. Analysts said a large fourth-quarter loss was also likely, while speculation persisted that Monday's board meeting might consider a dividend cut.

The company said GM's international motor operations remained profitable and saw better earnings than in the third quarter of last year. US results *were affected by continued mar*ket weakness and production cuts, due partly to strikes.

GM's share of the US vehicle market dipped from 34.5 per cent in the third quarter last year to 33.3 per cent, but this partly reflected the group's decision to focus less on highly subsidised sales to fleet car buyers.

The company said the fourth quarter could remain difficult if the US economy *did not show* signs of more rapid improvement, but aggressive cost-cutting activities were being intensified.

For the nine months the group reported a net loss of $970.7m, or $2.11 a share, *on sales and revenues* of $86.7bn, after taking a $749m restructuring charge at Hughes. That compared with net losses of $1.98bn, or $3.72 a share, a year ago, on sales of $78.7bn.

Serious surgery, Page 24

Nomura may not help small brokers

By Robert Thomson in Tokyo

NOMURA Securities, Japan's largest broker, yesterday warned of tough times ahead for the securities industry and said the company might not have the resources to overhaul all its ailing affiliated brokers.

Mr Yukio Aida, chairman of Nomura, said the company had a tradition of assisting smaller *brokers which were affiliated to the company*, but "even Nomura" might be incapable of rescuing these brokers in the *present difficult circumstances*.

"Some of these affiliates are in bad shape. We are concerned about this. I am apprehensive," Mr Aida said.

His comments follow the release last week of miserable first-half results by Japanese brokers.

All 10 of the country's second-tier brokers reported a loss and Nomura itself showed a net loss of Y5.5bn ($71m).

Mr Aida said most Japanese securities companies had begun a restructuring necessary for their "survival", and that Nomura had concentrated on cutting personnel and computer costs: "We invested a huge amount of money in computerisation."

Nomura had close ties to two second-tier brokers, Sanyo Securities and Kokusai Securities, *and links to about another 30* smaller brokers. These brokers were more reliant on individual *investors, who* had withdrawn from the market because of the collapse in share prices and the spate of securities scandals last year.

The plight of smaller brokers was highlighted yesterday by a Tokyo Stock Exchange report which said its member brokers had suffered their first collective loss.

The TSE said its 124 members, including 25 foreign companies, had a combined pre-tax loss of Y177.2bn in the first half, compared with a combined profit of Y7.1bn last year.

Those losses would have been much larger if the companies had written off the losses on their securities holdings. To encourage the stock market in *August, the finance ministry* allowed brokers to delay the write-off until the end of the fiscal year in March.

Mr Aida said that a government assistance package announced in August had helped the stock market, but the stimulus so far had been a "bit artificial", and the role the government could play in the market was limited. He said the market had been weighed down by the difficulties of the country's manufacturers, particularly the export-oriented companies, whose profits had been bruised by the appreciation of the yen. However, "in the longer-term," *he said, many of these companies* were likely to prosper.

Young bull locks horns with mentor

Tony Jackson on the curious case of two corporate raiders from the same stable aiming at one target but with a different price in mind

THE battle for control of RHM presents the classic *spectacle* of an old bull locking horns with a young one. At 45, Mr Greg Hutchings of *Tomkins is a quarter of a century* younger than Lord Hanson, his erstwhile employer. Tomkins, the company *which* he set up after leaving Hanson, is still only one-seventh of Hanson's size. But it is evidently big enough for him to tackle his old mentor head-on.

Mr Hutchings would not describe it that way. "This is not a battle with Hanson," he said yesterday. "Absolutely not. He's far too experienced and shrewd to be anything other than philosophical about it. And RHM is peanuts to him. It would be under 10 per cent of his business."

There is an element of tactics here, since it is plainly in Mr Hutchings' interests not to goad Hanson into a higher offer. But he *is* to be believed in another sense. His bid for RHM is not merely a response to Hanson's. It *was conceived in isolation. For* some months now, both men have been working independently *on the same target*.

This is rather curious. Both Hanson and Tomkins are large, international conglomerates with a bias towards industrial rather than consumer operations. In seeking their next victim, both had the world to choose from. So why did both end up picking the same rather tired British bread maker?

Mr Hutchings shrugs the question off. "Great minds think alike," he says. But he strongly rejects the idea that in getting into the food industry, Tomkins is turning its back on its traditional operations.

The basic point, he says, is that *RHM* makes things. "Products are not relevant. It doesn't matter to us whether it's a bicycle, a *lawn mower" – both of which* Tomkins makes – "or a cake. Raw materials go in one end and products come out at the other. We have a few hard weeks ahead of us to convince the stock mar*ket that this isn't a departure* from our usual business. But we're not buying an advertising *agency or an estate agency*, we're buying a manufacturer."

And above all, from Tomkins' viewpoint, RHM was cheap. Ever since its last UK acquisition in 1986, Tomkins claims to have been combing the UK for another target. A year ago, Mr Hutchings remarked there were plenty of UK companies he would like to buy, but they were too expensive.

As Tomkins' corporate development manager *Mr Geoff Eaton* puts it, "stock market sentiment towards RHM was awful. In other sectors, there are companies which are doing badly but the price is astronomical. There are some engineering companies out there which are being managed bloody badly, but their share prices are sky high."

The reason that such companies are expensive is, of *course, that the stock mar*ket perceives them as cyclical. It reasons that when the economy recovers, their earnings will pick up sharply.

But food companies were supposed to be different. Even in a recession, the argument ran, people have to eat. This thesis came to grief earlier this year when a number of UK food manufacturers, RHM among them, started to produce poor results and profit warnings. Their share prices plunged.

For Hanson and Tomkins, this provided the opportunity they had been seeking in vain in other sectors. Let us accept, Tomkins said yesterday, that a company like RHM is indeed *subject* to the economic cycle. That means that buying *it* five years ago, in the upswing of the cycle, would have been very risky. But we are now near the bottom of the cycle.

This puts Tomkins and Hanson squarely at odds with the stock market's judgment. But this is scarcely the first takeover battle to illustrate the hugely different value put on shares by portfolio *investors* and *industrial* managers. A month ago, the stock market thought RHM shares were worth *158p* apiece. *Then Lord* Hanson said they were worth 220p. Now Mr Hutchings says *they are worth 260p. Plainly, they* cannot all be right.

Part of the difference can be justified by the fact that Hanson and Tomkins are in a position to change the top management and let middle management get on with the business. As Mr Eaton said yesterday: "You're basically empowering a group of people who have been totally frustrated by the fact that the top people don't know what they're doing."

But on this basis, Hanson and Tomkins ought to value RHM more or less identically. Both, after all, have similar techniques for dealing with companies they have acquired, *for* the very good reason that Mr Hutchings was trained in the Hanson school.

This makes the end-game of this bid fascinating. It is not yet known whether Hanson will *respond to the Tomkins counter*offer. If it chooses to walk away, it will leave the obvious implication that Tomkins is paying too much. If battle is joined, that question will be raised about whoever proves the winner.

Tomkins growth, Page 27
Lex, Page 20

Same target, different price: Greg Hutchings (left) and Lord Hanson

Detailed terms of the Tomkins offer

THE terms of the Tomkins offer for Ranks Hovis MacDougall are either 2.29 Tomkins shares plus £5.20p in cash for every *four* RHM shares, or 260p in cash writes Maggie Urry. The share offer values each RHM share at 251.4p, with Tomkins shares closing last night at 212p, down 49p.

RHM shareholders will also receive a dividend of 9.54p net *from RHM, enabling Tomkins* to buy shares in the market up to 269.54p cum dividend. The cash *offer* values the ordinary shares at £925m, and there is an offer for the preference shares at par, worth about £10m in total.

Hanson's cash offer of 220p a share for RHM plus its preference offer values RHM in total at £790m. Tomkins is making a rights issue to help finance the bid. This is of one new share for every two held at a price of 200p, to raise £653m net. It will be in two instalments, the first of 120p a share raising £384m net, which *will* proceed whether or not the bid succeeds. The second instalment of 80p, raising £269m, depends on the offer being accepted.

Russia in joint bank venture with west

By Anthony Robinson in London

RUSSIA is to take part in a new joint venture financial institution, the Russian American Investment Bank, in equal partnership with leading western institutions.

The joint venture has been established in Moscow with the backing of Mr Boris Yeltsin, the Russian president, and financial participation of the Russian army pension fund and some of Russian federation's richest natural resource regions.

Western shareholders, who have jointly put up $10m for their 50 per stake in the bank, include AIG, the US insurance company headed by Mr Maurice Greenberg; Chemical Banking Corporation; Smith Barney, the broking house; and J. Rothschild, Wolfensohn & Co, the recently formed London-based investment bank chaired by Mr Paul Volcker, former chairman of the US Federal Reserve Bank who now advises Mr Boris Yeltsin, the Russian president.

Russian shareholders include Fund Guarantiya (the army pension fund), the Foreign Trade Bank of Russia, Unikom bank, *the Innovation Fund of Moscow*, Gasprom (Russia's gas industry association) together with the *gas-rich autonomous region of* Komi, west Siberian oil region of Tyumen, diamond and gold producing region of Yakutia and Baltic port region of Kaliningrad.

The western partners will initially concentrate on financial advisory work and corporate and project financing. This will focus on natural resources development and conversion of military enterprises. Foreign investors should find it easier to find Russian partners.

Welcoming this marriage of western high finance and Russia's nascent financial institutions at a ceremony in Moscow, President Yeltsin described the bank as "the bridge over which Russian businessmen will join with American and other international investors".

The bank, expected to become operational by the end of this year, will be a *closely-held joint* stock company domiciled in the Russian federation. Equity *investment will be held in a dual* capital structure with the Russian partners putting up Rbs50m alongside the initial *authorised* capital of $10m subscribed by the western partners.

Lord Rothschild said the bank provides "a unique business opportunity".

ICI profits decline 53% to £93m

By Paul Abrahams in London

IMPERIAL Chemical Industries yesterday confirmed the dire state of the world economy as Britain's biggest manufacturer reported pre-tax profits down 52.5 per cent from £196m ($319m) to £93m during the third quarter.

The group, traditionally seen *as Britain's* manufacturing bellwether stock, now generates more than 80 per cent of its turnover *outside the UK. ICI's shares* fell 14p to £10.36.

Earnings per share fell 70 per cent from 17.9p to 5.3p, due largely to a tax charge.

ICI's turnover fell 10 per cent from £3.07bn to £2.77bn. Adverse exchange rates accounted for 6 per cent of the decline, and lower volumes, mainly in the UK and US, for 2 per cent. The remaining 2 per cent consisted of price deflation.

Sir Denys Henderson, chairman, said the company had been hit by worldwide persistent recession. He blamed the disappointing results on particularly poor demand. He warned there was little expectation of improvement in trading conditions in the near term.

The recent devaluation of sterling would help overseas markets. Sir Denys said his priorities remained to contain costs and maintain a strong balance sheet.

Mr Colin Short, finance director, *said the separation of ICI* into two businesses should be completed by the year's end.

The group plans to demerge its pharmaceuticals, agrochemicals and the bulk of its specialities *operations into ICI Bioscience*, leaving the rest, including industrial chemicals, paints, materials and explosives, in a new ICI.

A decision whether to go ahead would be taken at the board's February meeting, said Mr Short. He warned that more deals were likely to be announced before February and that the group was still in a period of considerable change.

Sir Denys said the markets for materials and industrial chemicals remained weak. Prices were under considerable pressure, particularly in Europe.

The earnings per share were hit by a tax charge of 48 per cent *during the third quarter. This* was because of earnings generated by overseas and associated companies. *Mr Short said this* was a one-off and the rate would fall to 34 per cent for the whole year.

Lex, Page 20
Details, Page 29

Axa falls to FFr979m at half-way

By Alice Rawsthorn in Paris

AXA, one of the largest French insurers which last year invested $1bn in Equitable Life Assurance of the US, suffered a 34 per cent fall in first-half net profits due to a reduction in exceptional gains and forecast a further fall in profits for the full year.

The decline in profits, from FFr1.48bn in the first six months of 1991 to FFr979m ($190.09m) in the same period this year, is the latest gloomy announcement from the big French insurance companies in the current interim reporting season.

Earlier this week, Union des Assurances de Paris (UAP) reported lower first-half profits, as did Assurances Générales de France late last month.

The insurers have been hit by intense competition in their domestic market over the past year, particularly in the commercial and motor sectors.

The insurance industry has also been affected by the problems of the property market and the general malaise in the corporate sector, which have depressed the value of their investment portfolios.

However, Axa, which is chaired by Mr Claude Bébéar, managed to make progress in its insurance activities despite the general pressures on the French market.

Axa said that net profits from its insurance and reinsurance businesses rose by 119 per cent in the interim period.

Sales increased by 16 per cent from FFr25.05bn to FFr30.34bn in the first six months of this year.

This reflected growth in insurance sales both inside and outside France, together with strong sales increases from its reinsurance and financial services interests.

However, Axa experienced a sharp fall in the contribution from sales of peripheral interests, which contributed FFr875m to its 1991 first-half figures.

A further reduction in exceptional gains is expected during the second half, which should produce a "significant decrease" in net profits for the full financial year.

However, Axa anticipates a "small positive" contribution from Equitable Life.

Générale des Eaux bucks sluggish trend

By Alice Rawsthorn

LA Générale des Eaux, France's largest water distribution and public services group, managed to buck the sluggish trend in French industry during the first half of the year by increasing net profits by 9.7 per cent to FFr1.1bn ($211m) from FFr1bn.

The group, which said it was on course for further profits growth for the full financial year, also confirmed plans to participate in the recapitalisation of Lucia, a property company in which it is a 10 per cent shareholder and which is linked to the interests of Mr Christian Pellerin, the controversial French property developer.

La Générale plans to invest FFr150m in Lucia's recapitalisation. Lucia has incurred heavy losses and has also been clouded by the controversy over the BP Tower development in Paris because of its association with Olipar, a Pellerin concern.

Despite its difficulties in the property sector industry, La Générale increased interim turnover by 14 per cent from FFr62bn to FFr70bn and operating profits from FFr1.9bn to FFr2.5bn.

The public works division saw turnover rise to FFr20.8bn from FFr19bn, mainly because of growth in its foreign activities.

The group said it benefited from strong performances from its water, energy and health care divisions. However, it said that its property interests had suffered from the problems of both the residential and commercial sectors.

La Générale said it anticipated net profits of FFr2.9bn for the full financial year, which would represent an 11.5 per cent advance on the FFr2.6bn it made in 1991.

The group forecast a rise in turnover from FFr134.9bn in 1991 to FFr144bn in 1992, on current exchange rates.

● France Telecom, the state-controlled telecommunications group, yesterday said it expected to make net profits of FFr3bn this year. The group earlier revised its reported profit for 1991 from the original figure of FFr1.3bn to FFr2.05bn because of a change in accounting techniques.

US investors buy 50% stake in Polish publisher

By Christopher Bobinski in Warsaw

A GROUP of US investors has bought 50 per cent of the shares in PWN, Poland's leading academic publishing house, in the first privatisation in the country's book publishing sector involving foreign capital.

The Luxembourg Cambridge Holding Group (LCHG) yesterday paid $1m for its share in PWN, which reported a 12bn zloty ($803,000) net profit last year and is expecting a net profit of more than 25bn zloty this year. PWN's main source of income comes from sales of encyclopaedias and dictionaries. It intends to move into school textbooks and medical publishing.

Ronson faces Heron stake cut

By Maggie Urry in London

MR GERALD RONSON, his family trusts, and the Ronson charitable foundations would see their 100 per cent stake in Heron International, their private property and trading company, cut to 5 per cent if a restructuring plan put to banks and bondholders yesterday is approved. There is also a proposal to have the group's debt and equity listed on a stock exchange.

Although the plan would save the group from liquidation it marks the end for the Ronson empire founded in 1965 and also sees the resignation from the board of Mrs Gail Ronson, Mr Ronson's wife, and the other non-executive directors.

Heron said the group would appoint three non-executives to the board, including a chairman, who would be acceptable to the creditors. Mr Ronson will continue as chief executive.

The proposal is designed to repay the group's debts, which total £1.4bn ($2.2bn), and leave a business with potential for growth. Mr Ronson, backed by a group of investors, will offer to buy the Heron Suzuki importing business and the Heron service station chain, for cash from Heron.

Banks and bondholders which lent £775m to the Head Office group are being offered £400m in equity, £300m in senior debt maturing in March 1997, and £75m in junior debt expiring in 2000. However, some of the principal amount will be repaid as property disposals are made.

Banks which lent to other parts of the group will be repaid in cash from disposal proceeds up to 1997.

Directors and senior managers face pay cuts and there will be redundancies, saving about £6m head office costs a year. The group's management would receive up to 15 per cent of the equity if or when the debts are repaid.

The banks are being asked to put in £20m of capital. The group's net worth has worsened since June and is stated at a negative £225m as at March 31, the year-end.

The proposals, supported by the steering committee of five banks led by Barclays, were put to the 82 banks and lead managers and representatives of the bondholders yesterday.

Ronson's rapid reversal, Page 23

Digital announces cuts in US operations

By Louise Kehoe in San Francisco

DIGITAL Equipment, the struggling computer manufacturer, is to close two US manufacturing operations with the loss of 670 jobs in its latest move to reduce costs and stem losses.

Digital recently reported heavier than expected first-quarter losses of $260.5m, following losses of $2.8bn for the fiscal year that ended in June. Since 1989, Digital has cut 27,000 jobs.

The plants to be closed are in Springfield, Massachusetts, where Digital assembles personal computers and Burlington, Vermont, a minicomputer systems production site.

The plant closures are not expected to be the last for Digital. "The movement of computing power to semiconductors; the shift in demand to high-volume, low-margin commodity products; and the decreased demand caused by a soft worldwide economy has left Digital, and other companies in our industry, with excess worldwide manufacturing capacity," said Mr Edward McDonough, vice-president for manufacturing and logisitics.

Digital has been restructuring its operations for the past three years to reduce production capacity and eliminate redundancies.

Philips takes 70% of Kondo

PHILIPS Electronics, the Dutch electronics company, has completed the acquisition of the 70 per cent stake held by GTE International in Kondo Sylvania, the Japanese lighting company, Reuter reports from Amsterdam.

The Japanese company, which will be renamed Kondo Philips Lighting, has annual sales of about $40m and employs around 300 people.

Kondo specialises in halogen lamps used in projection and photography, as well as general and other halogen lighting products.

RWE chairman optimistic despite slight earnings fall

By David Waller in Frankfurt

RWE, Germany's eighth-largest industrial group, reported a slight fall in group earnings for the year to the end of June, but forecast that profits would not fall during the current year.

On turnover ahead by 3.7 per cent to DM51.7bn, group earnings dropped from DM1.14bn to DM1.04bn ($658.60m). As previously announced, the dividend for the last financial year is to be DM12 per share, up DM1 on last year and the fourth increase in a row.

Mr Friedhelm Gieske, chairman, attributed the fall in profits to economic conditions, and warned that these would get worse. It was unwise to assume that the dividend would be increased next year, he warned.

He said that due to the group's successful integration of recent acquisitions and its good mixture of businesses, it was well-equipped to withstand the anticipated downturn. It was already clear that profits would not fall this year from the already high level of 1991-92, he added.

The group plans to invest DM31bn over the next five years, of which DM4.4bn is earmarked for eastern Germany. In the last financial year, investments and acquisitions were DM6.4bn, up from DM5.6bn in the previous year, while cash-flow increased from DM7.2bn to DM7.5bn.

Mr Gieske indicated that last year all but one sector – the recently-acquired waste-management activities – reported positive results, while the energy sector and energy-related businesses in machine-tool, plant and equipment construction as well as medicine and general construction all increased profits.

Mining and raw materials businesses were stable, while profits fell in printing equipment, oil and chemical activities. Mining benefited from the acquisition of a 50 per cent stake in Consol Energy, the second-largest hard-coal producer in the US, bought for $890m in 1991.

Svenska Kredit faces collapse

By Christopher Brown-Humes in Stockholm

SVENSKA KREDIT, Sweden's leading credit insurer, has filed for bankruptcy after its two main shareholders, Skandia and Trygg-Hansa SPP, and four major banks failed to reach agreement over its future.

The collapse could have a serious impact on the ability of Swedish companies to get credit insurance cover and guarantees.

However, since Svenska Kredit suspended payments, two foreign insurers – Holland's NCM and Germany's Hermes – have stepped in to fill part of the gap in the market.

The insurer suspended payments on September 9 following reports that it could face losses of SKr5bn-SKr10bn ($863m-$1.72bn).

Since then Skandia and Trygg-Hansa, which each own 47 per cent of Svenska Kredit, and SE Banken, Handelsbanken, Nordbanken and Sparbanken have attempted to agree an orderly winding-up of Svenska Kredit over three years.

These talks collapsed, with Svenska Kredit blaming the banks. "Since the banks were not prepared to assume risk for any part of the liquidity that Svenska Kredit could require during the winding-up period, the parties declared there were no longer any grounds for reaching agreement," it stated.

Between 1991 and September 1992, the insurer paid out SKr2.2bn to creditors whose customers were unable to meet their obligations.

Skandia said it faced a maximum of SKr450m in losses as a result of the collapse, in addition to a SKr213m write-down at the interim stage.

Vital profits plunge to NKr226m

By Karen Fossli

VITAL Forsikring, one of Norway's top three insurers, yesterday disclosed a plunge in nine-month profits to NKr226m ($36.1m) from NKr1.02bn. The company blamed a sharp fall in the value of its securities portfolio and interest rate instability in the domestic bond market for the slide.

It was forced to charge accounts with a NKr453m write-down on shares and warned of lower profits for the year as a whole compared with last year's profit of NKr718m.

"These are weak figures," said Mr Bjoern Elvestad, president. "Although the financial markets have developed more favourably in the fourth quarter, it is unlikely the overall return in 1992 will match last year's result."

Vital's free shares yesterday closed 10.4 per cent down at NKr60 on the Oslo bourse.

Group financial income in the nine-month period was cut by NKr807m to NKr1.621bn, but Vital said it had realised and unrealised gains on bonds and equities in October of an estimated NKr320m. "Since the end of the third quarter the bond market has stabilised and the stock market has shown signs of recovery," Vital said.

Premium income increased by 12 per cent to NKr1.98bn in the period as operating expenses remained at NKr399m.

Vital said it had secured several new corporate pension scheme agreements, but not all of these had been included in nine-month accounts.

Group assets grew to NKr34.17bn from NKr33.11bn in the nine-month period.

Vital said losses on property loans were a modest NKr20m, or 0.14 per cent of aggregate lending.

INTERNATIONAL COMPANIES AND FINANCE

UAL blames summer fare wars for 14% decline

By Karen Zagor in New York

UAL, parent of United Airlines and one of the three biggest US carriers, yesterday unveiled a 14 per cent decline in third-quarter net income.

Mr Stephen Wolf, chairman, described the results as "exceptionally poor for what is traditionally the strongest quarter in the airline industry".

For the three months to September 30, UAL had net earnings of $21.5m, or 89 cents a share, against earnings of $25m, or $1.05 a year earlier.

United's weak third-quarter earnings follow particularly poor third-quarter performances from the other two US mega-carriers. AMR, parent of American Airlines, posted an *after-tax loss of $85m, its worst* results for a July-September period, and Delta reported a net deficit of $106.7m.

The fares wars over the summer hurt United's yields – passenger revenue per mile flown – in spite of an increased load factor. System revenue passenger yield fell 6.3 per cent in the quarter to 11.26 cents, while United's load fac*tor rose 4.1 per cent to 76.1 per* cent.

Stephen Wolf: results were exceptionally poor

Looking to the fourth quarter, Mr Wolf said: "We are concerned with booking levels, particularly in our Pacific division, where soft demand reflects current Japanese economic conditions."

In addition, UAL's yields remain under pressure, although Mr Wolf expects them to firm considerably from their low, third-quarter levels.

At the operating level, UAL saw income advance 16.4 per cent to $68m from $58m, while operating revenues rose 10.5 per cent to $3.24bn from $3.58bn. Operating costs were 10.4 per cent higher at $3.51bn.

● America West Airlines, the bankrupt US carrier, posted a third-quarter operating loss of $17.2m and said its results were hit hard by the industry-wide summer discounts.

During the quarter, the company took restructuring charges of $31.3m and incurred reorganisation expenses of $8.5m. A year earlier, America West had reorganising charges of $43.4m.

Including these items, net *loss narrowed to $70.8m,* or $2.97, from $85.2m, or $3.77, in the 1991 quarter.

Mr Michael Conway, chief executive, said passenger yields started to improve in September and "upcoming holiday bookings are strong. Accordingly, we are anticipating a return to positive cash flow from our operations in the fourth quarter".

Bethlehem Steel slips deeper into the red

By Karen Zagor in New York

BETHLEHEM Steel, the second-biggest US steel group, blamed continuing recession and intense competition for increased third-quarter losses.

The company posted a net loss of $72m, or 92 cents a share, on sales which fell 9.8 per cent to $1.01bn. A year earlier, it had a deficit of $60.6m, or 88 cents, on sales of $1.12bn.

Bethlehem said its wider third-quarter deficit reflected lower realised steel prices, an unfavourable change in product mix and higher employment costs.

Mr *Walter Williams*, chairman, said: "We expect that [the] intensely competitive market will continue over the near-term and that we will not return to profitability in the fourth quarter." Mr Williams is retiring this week and will be succeeded as chairman and chief executive by Mr Curtis Barnette.

Third-quarter results from LTV, the US steel group which has been operating for five years under the protection of bankruptcy courts, were also hurt by depressed steel prices and higher employment costs. The company turned in an underlying third-quarter net loss of $9.2m.

During the quarter, LTV posted a $625m gain on the sale of its missiles and aircraft businesses to a group made up of Loral, Carlyle Group and Northrop. This helped LTV report net income of $615.8m for the three months to September 30.

A year earlier, LTV had net income of $115.5m, including an income tax refund of $129.7m.

Sales in the latest quarter were $944m, compared with restated sales of $940m last year.

Dasa, Fokker reach takeover deal

By Ronald van de Krol in Amsterdam

DEUTSCHE Aerospace (Dasa) of Germany is to pay Fl 880m *($503m) for a 51 per cent stake* in Fokker, the Dutch aircraft builder, under an agreement reached *yesterday* after several months of intense negotiation with the Dutch government.

The deal, which ushers in a major restructuring of Europe's regional aerospace industry, calls for Dasa to pay Fl 37 per share for the 10.6m shares owned by the Dutch state and the 13.2m new shares to be issued by Fokker.

This price, which had been widely leaked to the press, is well above Fokker's closing price of Fl 17.80 on Wednesday. The shares were suspended all day *yesterday* because of conflicting initial reports on whether or not a definitive deal had been agreed.

The delay in announcing the deal was caused by the precise wording of the contract's references to the future of the Fokker 50, a 50-seater turbo-prop launched in the mid-1980s with the help of government funds.

Mr Koos Andriessen, minister of economic affairs, sought guarantees that the Fokker 50 would be safeguarded.

The aircraft is a direct competitor to the ATR-42, built jointly by Aerospatiale of France and Alenia of Italy. Dasa is planning to sell parts of its Fokker stake to the French and Italian companies later in the 1990s to create a European regional aircraft consortium.

Both sides have now agreed that production of the Fokker 50, which generates 25 per cent of the company's turnover, can be halted, if necessary, provided that the move does not threaten Fokker's "continuity".

Mr Andriessen said that this gave him "reasonable" confidence about the aeroplane's future.

Fokker, which also produces the 100-seater Fokker 100, welcomed the deal because Dasa has promised to give it the leading role in aircraft with between 65 and 130 seats. This means that Fokker can continue developing a new aircraft, the Fokker 70.

The takeover has proved to be controversial in the Netherlands, sparking debates about industrial policy and the position of minority shareholders in Dutch listed companies.

Under a preliminary agreement signed in July, the state will use half the proceeds to buy shares in a new Fokker holding company to be set up by Dasa.

However, it will have to sell this 22 per cent holding within three years.

Yesterday's accord must still be submitted to the unions and the European Commission for approval.

DSM earnings fall sharply in third period

By Ronald van de Krol

DSM, the Dutch chemicals group, saw its profits fall by more than half in the third quarter under the combined influence of industry-wide overcapacity, the slowdown in economic growth, cheap imports from eastern Europe and the strength of the guilder against other currencies.

The company cautioned that fourth-quarter results, excluding extraordinary items, were also expected to be lower.

Net profit in the latest quarter dropped by 55 per cent to Fl 53m ($30.3m) from Fl 117m a year earlier.

The sharply lower figures dragged results for the first nine months down to Fl 263m from Fl 451m in 1991.

The figures, which were lower than predicted by most analysts, caused DSM's shares *to fall by 9.2 per cent to close* down Fl 7.80 at Fl 77.20.

DSM said profit margins were hit hardest in its hydrocarbon, polymer, base chemicals and fertiliser businesses. By contrast, engineering plastics showed a slight improvement, it said, without giving details.

Overall, operating profit was down 65 per cent at Fl 46m. The net profit figure of Fl 55m includes Fl 10m in extraordinary gains resulting from the *disposal of Chem-Y* in Germany.

A year earlier, DSM's results had been lifted by Fl 15m in extraordinary gains.

Third-quarter turnover fell by 6 per cent to Fl 2.1bn. Although *DSM's* sales volume was down just 2 per cent, turnover showed a larger drop because of an average 5 per cent decline in selling prices and because of the weakness of the dollar against the guilder. The fall in sales volume was attributed mainly to a downturn in fertilisers and in cracker products.

Data General remains in black

By Louise Kehoe in San Francisco

DATA General reported a small profit in its fourth quarter as the US mid-range computer manufacturer continues its struggle for sustained profitability.

Net income for the quarter was $500,000, or 1 cent per *share. During* its fourth quarter last year, the company reported net income of $18.4m, *or 50 cents per share. Revenues* were $288.2m, down from $295.6m last year but above those in the immediately preceding quarter.

Data General's share price fell sharply on news of the results to trade at $10¾ around mid-day yesterday, down from a close on Wednesday of $13.

Mr Ronald Skates, president and chief executive, said: "Our challenge is to further increase revenues while improving our operating margins.

"While we remain very cautious for the short term in light of worldwide economic condi*tions, which continue to nega*tively impact the industry, we believe we are well positioned to be successful."

For the full year, the group suffered a net loss of $62.5m, or $1.91. The loss includes a restructuring charge of $48m from costs associated with job cuts announced in April.

In fiscal 1991, it recorded net income of $85.6m, or $2.45 per share, which included a one-time gain of $13m from the sale of its Japanese subsidiary.

Revenues were $1.12bn, compared with $1.23bn for 1991 year. The 1992 revenues were reduced by the sale of its Japa*nese subsidiary, Nippon-Data* General.

Revenues from the Japanese market place were $53m lower than the same period last year.

Argentina sells 80% of state-owned steel mill

By John Barham in Buenos Aires

ARGENTINA has privatised its largest state-owned steel mill, selling 80 per cent of Aceros Parana to a consortium led by Techint, an Argentine indus*trial conglomerate for $409m.*

Techint, the only company to bid for Aceros Parana, is one of Argentina's largest industrial groups and owner of the Siderca and Propulsora specialty steel companies. It bought Aceros Parana, previously called Somisa, in alliance with Usiminas and Companhia Vale do Rio Doce of Brazil and Chile's CAP.

The buyers offered $140m in cash, plus $12.1m in foreign debt certificates, which trade at half their face value.

They are to spend a further $12.6m to comply with Argentina's rigid labour laws which *force them to sack and re-hire* Aceros Parana's 5,800 employees. Furthermore, the buyers must take on $250m in financial and contractual liabilities.

Aceros Parana suffered large losses in 1991, when sales of about $500m were outstripped by losses of $570m. The buyers expect it to move into the black in 1995 with a $37m profit.

Techint – which is injecting $50m into the venture – is likely to own 30 per cent of the new group, while Usiminas is expected to hold 5 per cent.

Noranda overcomes volatile metal markets

By Bernard Simon in Toronto

A WEAKER Canadian dollar and lower costs helped Noranda, the Toronto-based *resources group, overcome* volatile commodity markets in the third quarter.

The company cautioned that recovery in its businesses was continuing only at a very slow pace. Zinc prices, which contributed substantially to higher metals earnings in the third quarter, have moved down sharply in recent weeks.

Net earnings were C$26m, (US$21m) or six cents a share, compared with a C$57m loss a year earlier, equivalent to a loss of 39 cents a share. Revenues climbed to C$2.18bn from C$2bn, and interest charges fell to C$85m from C$105m.

Cash flow from operations almost tripled in the third quarter to C$284m, but *long-term debt climbed to* C$4.8bn on Sept 30 from C$4.5bn a year earlier.

Earnings from mining and metals rose to C$48m from C$7m, largely due to a more favourable currency, the healthier zinc market and productivity improvements.

Forestry earnings were C$8m, compared with a C$20m loss. While demand for lumber, panelboard and paperboard has strengthened, prices for pulp, newsprint and most other types of paper remain below levels a year ago.

IBM to offer chips to external customers

By Louise Kehoe

INTERNATIONAL Business Machines, the world's largest producer of semiconductor *devices, has unveiled plans to* begin offering its products to external customers.

Until now, IBM's large chip plants in Europe, Japan and the US have served only the company's internal needs.

The new focus of IBM's semiconductor operations is the latest in a series of sweeping changes within the company over the past year.

Last December, Mr John Akers, chairman, announced plans to transform IBM into a "federation of free-standing businesses".

Unlike IBM's end-user product divisions, such as its per*sonal computer operation, the* technology products division – which includes IBM's semiconductor production operations – has been largely hidden from public view until now.

However, technology products generate annual revenue of about $8bn, said Mr Michael Attardo, IBM vice-president and general manager of technology products.

IBM's strategy in the semiconductor market will be to compete as a supplier of subsystems, said Mr Attardo.

"This is because for some time most of the chips that we have been delivering to internal customers are in the form of sub-systems," he said.

"We will focus on the information technology market because those applications are IBM core competencies. Clearly, computers and peripherals will be our initial market focus."

IBM will be a significant new competitor for established semiconductor manufacturers.

However, *Mr Attardo said* that by entering the semiconductor market place now, at a point where US manufacturers were gaining ground in the world market, would *strengthen the US micro-elec*tronics industry.

Du Pont plans large textiles restructuring

By Alan Friedman in New York

DU PONT, the leading US chemicals group, said yesterday it is planning a major restructuring of its textile organisation.

However, the Wilmington-based *group failed to provide* any details except to announce a handful of mid-level management changes and to say that the restructuring plan reflected "the increasing size, scope and market focus of the company's global textile business".

A statement from Du Pont said that Mr Paul Gillease, head of the group's textiles business, would move to Europe in order to take charge of integrating the nylon fibre businesses of Du Pont and of Britain's Imperial Chemical Industries (ICI).

Du Pont recently received European Commission approv*al to go ahead with the* planned swap of its acrylics business for ICI's European nylons activities.

It is now waiting for US approval.

Du Pont's fibres division made $166m of after-tax operating income in the third quarter of 1992, against $150m a year ago.

Moody's downgrades Finnish banks' debt

By Christopher Brown-Humes in Stockholm

THE CRISIS in Finnish banking prompted Moody's, the US rating agency, to downgrade the debt of five Finnish banks yesterday.

The move affects Kansallis-Osake-Pankki (KOP), Union Bank of Finland, Okobank, Skopbank and Finnish Real Estate Bank (a Skopbank sub*sidiary), with a total of $14.4bn* in outstanding debt.

KOP's senior debt was downgraded *to A3 from A2* and its subordinated debt to Baa1 from A3. UBF's senior debt was lowered to A3 from A1 and its subordinated debt to Baa1 from A2. Okobank's senior debt dropped to A2 from Aa3 and subordinated debt to A3 from A1. KOP and UBF had their commercial paper ratings cut to Prime-2 from Prime-1.

Moody's said its main concern for the three was the increasing level of non-performing loans and credit write-offs.

With Skopbank and the Finnish Real Estate Bank, *Moody's said its main* worry was "weakening fundamentals," given the continuing fall in asset values. Skopbank saw its senior debt downgraded to A2 from Aa3, while the Finnish Real Estate Bank's senior debt was lowered to A1 from Aa2.

UBS predicts advance in current year

UNION BANK of Switzerland, the country's largest commercial bank, said group profit for 1992 would be up from 1991 *due to improved cash flow*, Reuter reports from Zurich.

UBS said trading results in the third quarter were excellent. After-tax consolidated cashflow in the first nine months was below budget, but still higher than in the same period a year ago.

"Assuming no unforeseen events occur, the results for the current year should be better than last year's," it said. A number of Swiss equity analysts have forecast UBS's group net profit will rise by between 10 per cent and 14 per cent this year from last year's record SFr1.22bn ($890m).

The parent company assets rose by SFr2.2bn in the third quarter to SFr204.2bn.

The bank, which had already said it expected improved earnings this year, said personnel and general expenses were below budget in the third quarter. "The necessary depreciation and provisions are expected to remain high in 1992," it said. "The ensuing increase in cash flow should nonetheless spell a year-on-year improvement in group results," it added.

UBS said the good third-quarter result, which it did not quantify, largely reflected peak earnings in foreign exchange and banknote trading, although trading in securities failed to match results of the two preceding quarters.

Arnotts may fight bid in court

ARNOTTS, the Australian biscuit company, may take legal action against the hostile A$8.80 a share takeover *bid* by Campbell Soup of the US, Reuter reports from Sydney.

"*It is far too early to* say ... but one of the steps that could be taken is legal action," Mr Bill Purdy, Arnotts chairman, said after the company's annual meeting.

Campbell already has 33 per cent of Arnotts and its bid values the company at *A$1.2bn* (U$857m). It needs just over 17 per cent acceptances to gain *control of Arnotts*.

Mr Sandy Dawson, an Arnotts shareholder and former managing director, urged legal action at the annual meeting, saying Campbell had gone back on undertakings that it would not increase its stake beyond 40 per cent.

● Mr Dick Shea, president of Campbell Soup's global biscuit and bakery division, said in Australia that his company had no plans to lift the A$8.80 *a share offer for Arnotts*.

"We believe that the figure is a very valid and wholesome offer," Mr Shea said.

"There are really no facts from this morning that would cause us to change that offer," he said, referring to earlier opposition voiced at the Arnotts annual meeting by Mr Purdy and shareholders.

Indonesian nickel group drops 22% to $10.8m

By Kenneth Gooding, Mining Correspondent

SHARPLY LOWER metal prices caused a 22 per cent drop in third-quarter earnings at PT International Nickel Indonesia (PT Inco).

Net earnings were US$10.8m or 4 cents a share compared with $13.9m, or 5 cents, in the third quarter last year. Net earnings for the first nine months of 1992 were down by 36.5 per cent to $42.9m, or 17 cents, from $27.2m, or 11 cents.

PT Inco, which was floated on the Jakarta stock exchange in April 1990 but is still 58 per cent owned by Inco of Canada, said third-quarter nickel production rose from 21.2m lbs to 22.8m lbs and deliveries were up from 18.2m lbs to 19.2m lbs.

GENERAL MOTORS: THE EMBATTLED GIANT

John Smale: led the boardroom revolt

Smale poised to head new line-up

"SOMEONE once defined General Motors as a 'mid-western car company', an image that strikes at the heart of the parochialism that has plagued the company since at least the late 1950s."

So wrote Wall Street analyst Maryann Keller in a perceptive 1989 book on GM's woes.

The company is so vast, and its insular, bureaucratic culture so entrenched, that some analysts question whether any executives from within can achieve radical change. On the other hand, fresh talent from outside would spend precious time groping to understand the complexity of the beast.

The new management line-up expected to be announced after Monday's board meeting goes some way to resolving this dilemma: the two men most likely to occupy the top jobs have long experience of GM, yet each is, in his own way, an outsider.

Mr John Smale, 65, the non-executive director who has led GM's boardroom revolt, is expected to become chairman, at least on an interim basis.

A 10-year veteran of the GM board, Mr Smale was chairman in the 1980s of Procter & Gamble, the consumer products group, which he was credited with shaking up.

A tough, no-nonsense executive, he led P & G on an acquisitions drive, pushed it into international markets and restructured its systems. One of his greatest strengths – something GM has lacked – is marketing flair.

Potential weaknesses include a low-key style when the GM chairman needs to be proclaiming revolution.

Mr Jack Smith, 54, currently GM president, is expected to be named chief executive. An unassuming man, he has a reputation for decisiveness and delegation.

He made his name in Europe in the 1980s when he turned around GM's loss-making operations there. Much of what he learnt there is being applied to the US, including setting up his own tiny headquarters staff away from the GM bureaucracy in central Detroit.

Another executive who may emerge in a more powerful role from any reshuffle is Mr William Hoglund, 58, who was moved up to the post of chief financial officer in April's boardroom coup.

Popular with middle managers, he has been trying to break up the centralised financial staff and spread its members to operating divisions.

He has a reputation as a maverick and said this year that motor industry executives should be as creative as rock-and-roll musicians.

Martin Dickson

Serious surgery needed to staunch flow of red ink

Revolution, observed Mao Tse Tung, that great exponent of the art, is not a dinner party. It cannot be advanced softly, gradually, carefully, considerately.

Mr Robert Stempel, chairman of General Motors, learned this to his cost this week as pressure from fellow directors forced him to resign after only 27 months at the helm of the world's largest industrial company.

The tall, booming-voiced but kindly Mr Stempel stood accused of failing to move quickly and toughly enough to implement a 10-month-old revolution designed to save the company from financial crisis. He agonised over plant closures. "The message," said one analyst, "is that nice guys don't win."

However, the main message behind the most dramatic US boardroom upheaval in many years is the sheer gravity of the outlook facing GM – a case study in industrial decline stemming from decades of insular, bureaucratic complacency.

GM is the world's largest industrial corporation with the biggest turnover, $123bn in 1991, the biggest workforce, 756,300 last year – and in 1991 the biggest loss ever recorded by a US corporation at $4.5bn.

It still accounts for nearly a sixth of world vehicle production, while its turnover rivals the gross domestic product of a medium-sized industrial country such as Austria. Last year with US losses of $7bn and a US vehicles sales volume of 4.3m, it lost $1,631 on every vehicle sold in the US.

The group, which has only made a profit in one quarter since Mr Stempel became chairman, is bleeding red ink. It yesterday reported a third quarter net loss of $753m, bringing its losses for the first nine months of 1992 to $971m. Nor is there any likelihood of a return to the black in the near future.

The outlook is sufficiently bleak for some analysts to be raising the spectre of GM eventually filing under Chapter 11 of the US bankruptcy code. That is hardly imminent, but it could become possible two to three years down the road if GM fails to turn round the source of all its problems – its core North American automotive business.

For the red ink here is overwhelming the profitability not only of GM's international car operations, but also of its three huge non-automotive subsidiaries – General Motors Acceptance Corporation (GMAC), its finance arm, GM Hughes Electronics, the aerospace group, and EDS, the data systems business.

Over the past two years the North American car operations have lost a staggering $12bn, including special restructuring charges, and analysts expect it to lose up to $4bn this year.

Cash has been draining from the business at a disturbing rate and GM has been plugging the gap through additional borrowings and the issuance of some $4bn of new equity so far this year. The group also has a large unfunded pension liability , which some analysts believe could reach $12bn, or roughly a quarter of liabilities, by the end of this year.

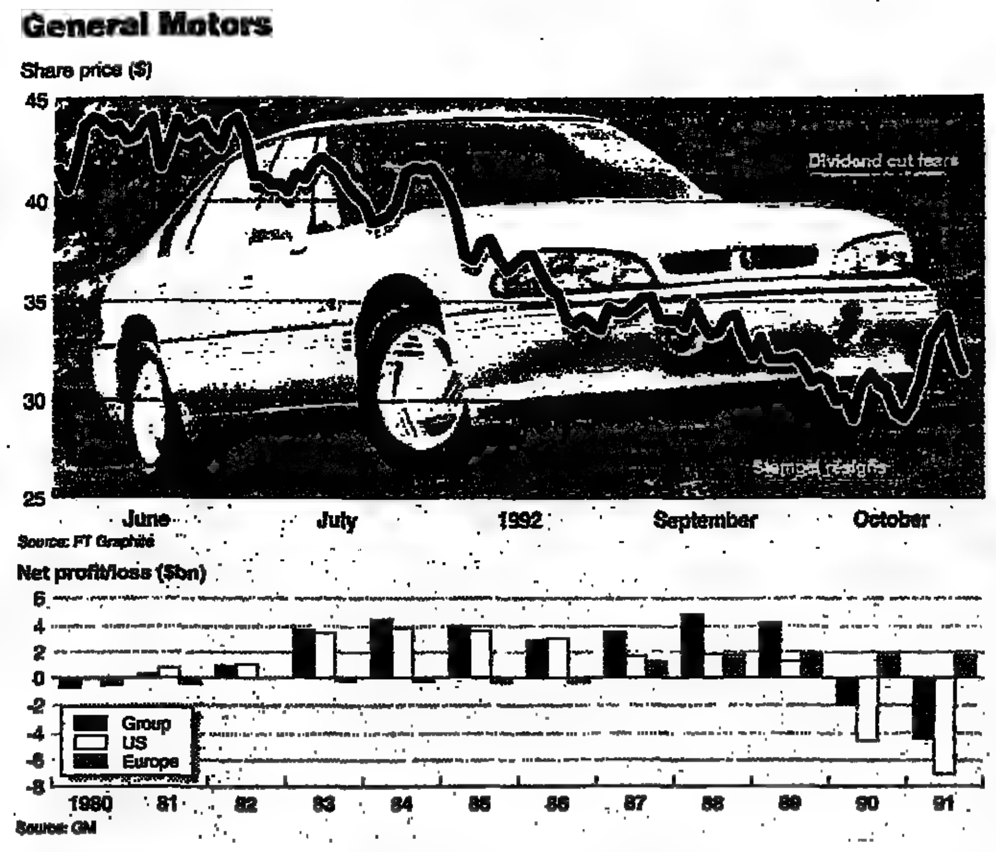
GM's credit ratings remain reasonably good, but Moody's Investors Service is reviewing $70bn of its debt and Standard & Poor's, the other big rating agency, says it might lower the company's ratings by mid-1993 unless the financial performance improves.

The most immediate danger for GM is that the agencies might lower the rating on its commercial paper – low cost short-term money which GMAC relies on heavily. This would raise its borrowing costs significantly.

Boardroom concern over the debt ratings may have been a factor in the timing of Mr Stempel's downfall and the more aggressive revamping programme which now seems likely.

Yet GM's North American car problems are of such long-standing (and were acquiesced to by many of the non-executive board members now wielding the axe) that a turnround will not come quickly or simply.

GM was created in the early years of the century when Mr Willy Durant, an entrepreneur with a passion for motoring, merged together a group of fledgling car businesses. It was then forged into an efficient bureaucracy in the 1930s by Mr Alfred P. Sloan, one of the giants of American industry.



But it so came to dominate the US car market, with roughly 50 per cent of all sales in the 1950s and 1960s, that complacency set in.

Dominated by finance men (Ironically, Mr Stempel was the first chairman with an engineering background since the 1950s), it lost touch with the market place and was ill-prepared for the mushrooming of Japanese manufacturing plants in the US in the 1980s. In the last decade it became mesmerised by futuristic technologies and the drive to build "the 21st Century corporation". Its investment of tens of billions of dollars obscured the failure to keep abreast of the basics of successful car-making.

GM's share of the car market plunged, from around 46 per cent at the start of the decade to around 35 per cent now, as its dull, poorly designed, look-alike cars, with a dubious quality record, lost ground to the Japanese.

However, the company failed to slim down, shielded from the financial implications of its crumbling market by booming US demand and its sheer size. So when recession hit in 1990 it found itself saddled with hugely uneconomic factories and bloated bureaucracies.

Mr Stempel, after several early rounds of cutting, finally bit the bullet hard last December when he announced plans for the closure of 21 plants and the loss of 74,000 jobs – 20,000 white collar and 54,000 blue collar – by the mid-1990s.

But non-executives on the board, concerned that the revolution was not moving fast enough, staged a mini-coup in April: Mr Stempel was replaced as chairman of the board's executive committee by an outside director, Mr John Smale, while the chairman's right-hand man, Mr Lloyd Reuss, the head of north America, was replaced by Mr John Smith, formerly head of international operations.

Under Mr Smith, who won his spurs turning around GM Europe in the 1980s, the pace of change has speeded up, but the management has faced increasing opposition, most notably from the United Auto Workers' union, which staged two strikes at local parts plants in the early autumn.

These were ostensibly over local grievances, but the so-called "Apache raids" were widely seen as warning shots to GM over job cuts. The board evidently felt Mr Stempel did not respond to the union threats sufficiently robustly.

The position of chairman is expected to be filled, at least on an interim basis, by Mr Smale, a tough manager who revitalised the bureaucratic Procter & Gamble in the 1980s, while Mr Smith is likely to take on Mr Stempel's chief executive mantle. Their most crucial tasks include:

- Close assembly and parts plants and use the remaining ones more efficiently. So far GM has only announced the names of 14 of the 21 plants scheduled for closure. More are expected before the end of the year.
- Conserve cash. Directors may consider cutting the dividend at next Monday's board meeting.
- Cut its components costs. One of the most dramatic changes instituted by Mr Smith has been the creation of the post of worldwide parts purchasing chief. The aim is to use GM's scale economies to buy components from whatever suppliers around the world can combine good quality with the cheapest prices.

Demands for price cuts of 20 per cent or more from some US suppliers have stirred up strong opposition, while GM's own vast network of parts subsidiaries fears it will lose business and jobs.

- Sell off non-essential components businesses. Mr Smith is expected to announce GM is willing to dispose of some large slices of its parts operations and reduce the company's vertical integration.
- Quickly cut the size of the workforce. The company has announced plans to speed up by a year its planned 20,000 white collar job cuts, which should be completed by the end of 1993.

It is also believed to be negotiating a deal with the UAW which would offer blue-collar workers special financial incentives to leave the company early. This could mean a considerable charge against earnings but could also reduce the potential conflict with the UAW over job losses.

- Negotiate a new labour pact with the UAW. The current three-year deal, due to expire a year from now, contains remarkably generous GM concessions: any worker it lays off continues to receive virtual full pay out of a special $4bn company fund.

Given the weakness of the car market, there are doubts whether the fund will last till next autumn (which gives the union a strong incentive to support the early retirement scheme), but the UAW will doubtless want the package renewed in 1993.

GM will want to negotiate cuts in its healthcare provisions, which have long given the company the nickname "Generous Motors". It recently announced plans to make white-collar workers pick up a larger share of their health costs.

- Rationalise its engineering and manufacturing organisations. Last week Mr Smith announced plans to cut from six to four the number of GM car engineering and manufacturing divisions in north America, with the loss of some 10,000 white-collar jobs.

The idea is to simplify the GM product range, standardise parts not visible to the customer, and eliminate the rivalry between design, engineering and manufacturing operations.

The ultimate goal is to cut the number of platforms – the chassis to which different styles of passenger compartment are mated – from nearly 20 to just seven.

There is enough ammunition here for any number of UAW "Apache raid" strikes over the coming months, or a full-blown union-management confrontation next year.

However, over the past few weeks union leaders appear to have been adopting a more conciliatory tone and the ousting of Mr Stempel sends a powerful message of management determination.

Even if it cuts costs successfully, GM will still face the huge challenge of maintaining its market share, which depends heavily on deeply discounted sales to fleet buyers, such as car rental companies, and conservative, ageing individuals who are gradually dying off.

It has some hits, such as the Saturn, a compact car built by a separate company which imitates the best Japanese practices, but is weak in buoyant sectors such as sports utility vehicles, mini-vans and mid-sized saloons.

The turnround of its operations in Europe (where the market is weakening) shows what GM can do, yet the US is a far larger and more complicated operation, and time is very short. Mr Smith's Long March could become very gruelling.

Martin Dickson

European operations offer a beacon of hope

WHEN GM looks for light in its darkest hour it is the corporation's European operations that offer a beacon of hope.

GM Europe is the proof that the world's largest industrial corporation can successfully transform a chronic loss-maker into a record profit earner.

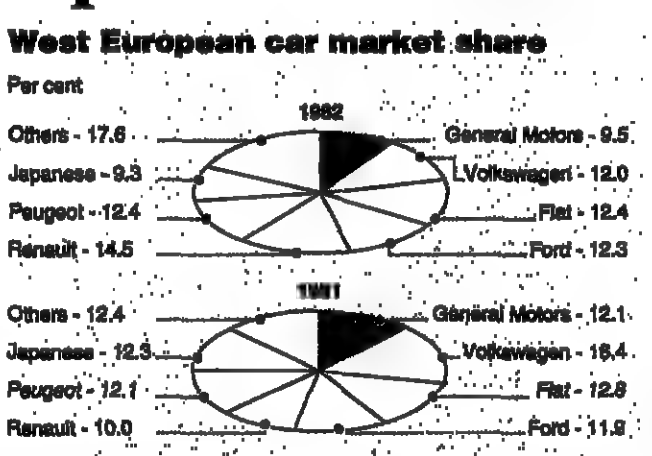
After seven years in which it ran up total net losses of $2.2bn and made a tiny net profit in only one year, 1982, GM Europe finally climbed back into profit in 1987 and has never looked back since.

In the five years from 1987 to 1991 it has racked up total net profits of $8.5bn. Last year it was clearly the most profitable of the big six volume car makers in Europe.

It raised the net profits of its core Opel/Vauxhall car and light commercial vehicle operations to a record $1.96bn, despite the launch costs for its new generation Astra small family car, GM's best-selling car in Europe.

Admittedly, the return to profit in Europe has occurred during years in which west European new car sales have also risen to record levels, but GM has still clearly out-performed its European rivals financially.

Its record profits have also been achieved, while the profits of many its competitors in Europe have been sliding, and its arch rival, Ford of Europe, has seen peak profits of $1.6bn in 1988 melt away to a record loss last year of $961m.



Ironically, Mr Robert Stempel, the man forced out of the GM chairmanship this week, and Mr Jack Smith, GM president since April's boardroom coup, were both instrumental in the gradual transformation of the European business.

Mr Stempel led GM's European car operations from 1980 to 1982 as chairman of Adam Opel, the group's German subsidiary. The European operation was still deep in loss, but GM laid the foundations in this period for its recovery with heavy investment in its first range of small cars in Europe, the Opel Corsa/Vauxhall Nova, including the building of an assembly plant in Spain.

It was Mr Smith who brought GM Europe into profit, however, and left an indelible mark on the operations in a period of less than two-and-a-half years from early 1986.

He is credited with driving down costs, transforming GM Europe components purchasing with global sourcing, introducing innovative labour reforms and streamlining the product development process, while also pushing forward programmes for vital image cars, such as the Opel/Vauxhall Calibra coupé.

Some of the key senior executives from the successful European management team have since risen quickly through GM's turmoil elsewhere in the world, most notably Mr Ignacio Lopez de Arriortúa, whom Mr Smith promoted last April to head GM worldwide purchasing.

A vital ingredient in Opel/Vauxhall's success has been the development of a highly competitive product range, and Mr Wayne Cherry, GM Europe's head of design for much of the past decade, has also been promoted back to the US as design vice-president.

Rivals have drawn on GM Europe too in the search for management talent, most notably Chrysler which earlier this year poached Mr Robert Eaton, GM Europe president for the past four years, to succeed the legendary Mr Lee Iacocca as Chrysler chairman.

From a market share of only 8.2 per cent in 1981 GM is capturing more than 12 per cent of west European new car sales. In a decade it has moved from a poor last place among the big six volume car makers to number two behind the Volkswagen group of Germany, having pushed ahead of Fiat of Italy in the first nine months this year.

It has taken control of Saab Automobile in Sweden, in an attempt to add a second, up-market marque in Europe.

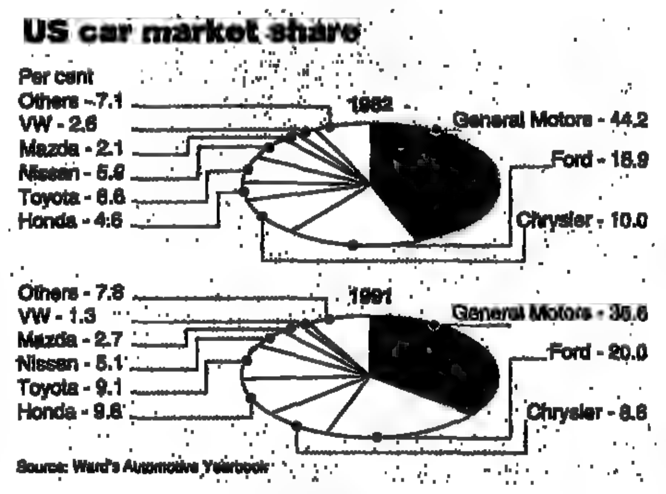
GM Europe has also expanded aggressively into east Europe. This year it has opened an engine and small assembly plant in Hungary, a new car assembly plant in eastern Germany and is negotiating a deal with FSO in Poland.

The task facing Mr Louis Hughes, the 43-year-old president of GM Europe, is to hold on to the impressive gains of the past decade, as the west European new car market moves into reverse.

It is a formidable challenge with GM planning to increase its capacity in Europe by 25 per cent from 1990 to 1995, largely through three-shift operations and increased productivity at existing operations, but also through the new plants in east Europe.

With a new management team he must seek to ensure the financial mayhem in Detroit does not bite too deeply into his plans for Europe, where new product programmes are needed for areas such as mini cars, multi-purpose vehicles and light commercial vehicles.

Kevin Done



Trio of offshoots take leading roles in their sectors

GM'S VEHICLE operations overshadow its three huge non-automotive subsidiaries, yet each of the trio is one of the largest American businesses in its sector.

Electronic Data Systems (EDS), based in Dallas, Texas, is one of the world's leading computer services companies and was acquired by GM in 1984 from its founder, Mr Ross Perot.

Mr Perot joined the GM board with the aim of introducing entrepreneurial flair to the company but quit in 1986 after repeated disputes with the management.

Even without him, EDS has gone from strength to strength. Some of its work involves systems integration – designing computer networks for corporate customers. But it also runs entire data processing departments for companies in return for a fee – so-called "outsourcing" – and is benefitting from a strong corporate trend in this direction.

EDS handles most of GM's computer operations, but its non-GM revenues are larger than those in-house and are forecast to reach 66 per cent of the total in 1993, compared with just 29 per cent in 1985.

That shift has been helped by acquisitions, including the British group SD-Scicon. It made net profits of $547m last year on revenues of $7.1bn and this week reported income of $457m for the first nine months of 1992, up from $407m.

GM Hughes Electronics has had a more chequered performance since Hughes Aircraft was bought in an auction by GM for $5.2bn six years ago. GM then merged Hughes with its Delco Electronics business, a leader in automotive electronics. The idea was for GM to diversify its revenues while taking advantage of Hughes' expertise in systems integration, optics and other high technology areas.

Rivals Chrysler and Ford both joined the trend but rapidly sold off their aerospace operations when recession loomed. Many analysts believe GM should have done the same, or never bought Hughes in the first place.

First, technical transfer between the two businesses has not been particularly exciting. Examples include "head up" instrument displays in some new car models and involvement by Hughes in the development of battery-powered cars.

For another, Hughes has suffered from the sharp decline in the US defence budget and its earnings have moved erratically. Earlier this year GM had to take a $749m after-tax write-off to cover a restructuring of the subsidiary, including the elimination of 9,000 jobs. Last year it made $435m, down from $577m in 1990.

General Motors Acceptance Corporation was founded in the early days of GM to finance car purchases and has grown into the largest non-bank finance company in the US, with assets of around $100bn, offering financial and insurance services to car dealers and buyers, as well as mortgage banking, marine financing and investment services.

It reported net income last year of $1.37bn and made $942m in the first nine months of this year, up from $936m. It borrows heavily in the short-term commercial paper market and would suffer seriously from a down-grading of GM's credit rating.

Martin Dickson

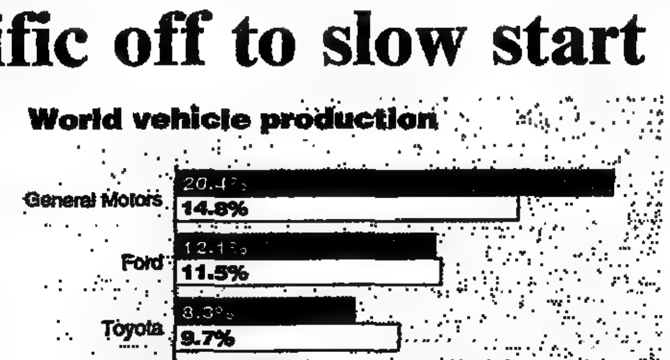
Asia Pacific off to slow start

THE Asia Pacific new vehicle market has enjoyed the fastest growth rate of any region during the past 15 years, but General Motors remains a relatively small participant.

Its regional strategy remains fragmentary with its main presence revolving around a 37.4 per cent shareholding in Isuzu, one of the smaller Japanese vehicle makers. Isuzu is mainly a producer of commercial vehicles and four-wheel drive leisure utility vehicles, while its car operations lack the scale of its competitors.

Isuzu is providing significant product and technology support for GM's light commercial vehicle and four-wheel drive leisure utility vehicle ranges in global markets, but it has also confronted GM with serious problems in the face of continuing losses. GM also holds a 3.5 per cent stake in Suzuki.

Elsewhere in Asia one of GM's main targets for involvement in the rapid growth of the region was in South Korea, where it has held a 50 per cent stake in Daewoo Motor. GM had hoped to develop the venture as an important low-cost production base in Asia. It provided technology in the shape of the Opel Kadett which has been produced in South Korea and sold in the US.



But the venture has been dogged by problems and by the divergent ambitions of the two shareholders, GM and the Daewoo group. The conflicts have led this year to divorce and a final agreement is expected to be signed soon, under which the Daewoo group will take over GM's 50 per cent holding for around $170m.

GM appears to be looking belatedly at the prospects for growth in China, where it formed a joint venture early this year for the production of light commercial vehicles. It has been more successful in Taiwan, where it sold nearly 15,000 vehicles last year and plans to begin assembling Opel cars next year.

Kevin Done

Taking a look in the rear-view mirror

"This reindustrialisation programme – the replacing of obsolete plants and equipment with state-of-the-art facilities and the retraining of workers – is, in its scope and complexity, without parallel in the history of American industry.

"We have been able over recent years to transform GM into a 21st Century corporation so that we can be expected to grow even stronger and more profitable in the years ahead." – 1987 Annual Report.

"Nearly a decade ago GM began the most massive programme of facilities modernisation and rebuilding ever undertaken by any corporation . . .A current goal is to become the low-cost domestic producer and increase the corporation's north American factory utilisation rate to 100 per cent by 1992." – 1988 Annual Report.

Parts making units face a tough test

ONE OF the most crucial tests – and biggest potential labour flashpoints – in GM's efforts to slash its US costs will come in the group's components manufacturing subsidiaries.

GM is the most vertically integrated car assembler in the US, getting some 70 per cent of parts from its own subsidiaries.

This has several drawbacks. First, GM's parts operations have a captive market which reduces the pressures to improve efficiency. Second, many employees at the in-house components companies belong to the United Auto Workers' union and thus can command higher wages than workers for outside contractors. Third, GM's dependence on in-house businesses makes it vulnerable to strikes.

This was demonstrated in late August when a strike at a stamping plant in Lordstown, Ohio, quickly idled 10 assembly plants.

GM officials have long argued the group should shift components purchasing more to outside suppliers, but this has been fiercely resisted by the UAW.

GM's new cost-cutting regime could thus lead to a fierce tustle. The GM automotive components group is expected to have sales this year of $24bn, some 80 per cent of it with GM and the rest with outside customers. It employs 195,000 people worldwide and operates 195 manufacturing plants in 14 countries.

GM's new global parts purchasing chief, Mr Ignacio Lopez de Arriortúa, has stirred fears of job losses in the components companies by threatening to buy only from the world's most efficient, low-cost, high-quality manufacturers.

While seeking internal improvements, GM may be preparing to sell off some major components operations. It has made a start, putting its bearings business up for sale.

Martin Dickson

San Miguel registers rise in sales and income

By Jose Galang in Manila

SAN MIGUEL Corporation, the Philippines' largest industrial enterprise, yesterday reported consolidated net profits of 2.16bn pesos ($98.1m), on net sales of 42.4bn pesos, for the first nine months of the year.

Net income rose 6 per cent from the comparable period last year, while sales grew by 10 per cent.

The increase in net profit was faster than the 3 per cent recorded in the first six months. The company said third-quarter profits were up 17 per cent from the year before due to streamlining measures in operations, "more effective control" of costs, and "higher efficiencies" from the group's expansion and modernisation programme.

As well as beer production San Miguel produces and markets various beverages, food and dairy products and has a newly established subsidiary in property development.

Volume sales of beer, still the group's flagship product, and of "many other products" declined in the third quarter due to "the continued weakness of the economy".

Toyo buys ICI inks business

TOYO of Japan has bought ICI's France-based printing inks business, Francolor Pigments, writes Daniel Green. The size of the deal has not been revealed, but the turnover of the company is £30m ($45m) a year.

Toyo is among the biggest seven ink makers in the world, with half the Japanese offset printing ink market.

The move leaves ICI with no printing inks business in its portfolio and strengthens the presence of Japanese manufacturers in western Europe.

The unit has 200 employees and was part of ICI's giant Francolor subsidiary, a French dyes specialist.

Royal Foods reveals fresh details of Del Monte deal

By Philip Gawith in Johannesburg

ROYAL Foods, the South African foods group, has published further information about its planned £360m ($565.2m) acquisition of Del Monte Foods International (DMFI), the canned fruit and juices company, following criticism in the South African media about poor disclosure.

The funding requirement of about R2.4bn ($827m) will be raised by the issue of new shares in Royal Foods (Royfood), in its parent Royal Corp and in its ultimate holding company Royal Group Holding – known as Royhold.

The new shares will be placed with the shareholders of Royhold. These are the Imerman Control Consortium (ICC), which has committed a minimum of R30m, Anglo American Corporation, which has committed R400m and institutional shareholders.

ICC, which is the family vehicle for Mr Vivian Imerman, executive chairman of Royal Corp and driving force behind the acquisition, and Anglo have agreed they will each hold 30 per cent of Royhold – ICC previously held 77 per cent.

Royhold and Royal Corp shares are being placed at 950 cents per share and Royfood at 925 cents. Their last traded price prior to the announcement were 900, 950 and 875 cents respectively.

Although some local analysts believe the £360m price to be steep, local institutions are expected to support the share placing because, with assets and earnings in hard currencies, DMFI offers a much sought after rand hedge element to South African investors.

● Royal Foodshas reported a 58 per cent rise in earnings per share for the 12 months to end-August. Earnings rose to 36.2 cents from 22.9 cents in the 18 months to end-August 1991.

Earnings for the six months to end-August 1992 were 32 per cent higher than for the same period in 1991.

ANA tumbles to Y17bn in first half

By Robert Thomson

ALL Nippon Airways (ANA), the Japanese airline, reported a 39 per cent fall in pre-tax profits to Y17.35bn ($141.6m) for the first half to end-September, as total passenger volume rose, but the load factor fell on domestic routes.

Sales for the half year rose 2.4 per cent to Y424.9bn, with passenger volume on expanding international routes rising 16.6 per cent, while the volume on domestic routes was 1.5 per cent higher.

The slowing of the Japanese economy and attempts by companies generally to cut transportation expenses led to a fall in the domestic load factor from 75.0 to 70.2, while the international load factor edged higher from 69.8 to 70.4.

ANA has tapped its cash reserves to fund expansion, as the country's securities markets are still frail and managers reluctant to lift borrowings. For the full year, ANA expects profit margins to remain under pressure, and sees a pre-tax profit of Y17.5bn, down 22 per cent, and an after-tax profit of Y3bn, down 60.5 per cent.

Shiseido suffers on fall in consumer spending

By Charles Leadbeater in Tokyo

THE rising cost of collecting unsold goods from retailers was partly responsible for Shiseido, the leading Japanese manufacturer of toiletries and cosmetics reporting a 7.7 per cent drop in pre-tax profits for the half year.

Shiseido's pre-tax profits for the six months to the end of September fell to Y15.43bn ($126.12m) from Y16.72bn a year earlier, on a 4.9 per cent increase in sales to Y201bn.

The company is maintaining its interim dividend at Y5.5 a share. Net profits fell by 7.2 per cent to Y7,602, with earnings per share down to Y19 from Y26.30 in the first half of the 1991.

The fall in profits reflects the downturn in consumer spending which has spread through the economy over the past year. Shiseido spent Y2bn ($16.3m) to collect stocks of unsold items from retailers' shelves. The collection of this stock which was repriced following the abolishment of the commodity tax in 1989 was originally planned for the second half of the year.

Shiseido is forecasting a slight rise in full-year pre-tax profits to Y32.5bn, up 0.8 per cent from 1991 on sales of Y406bn, up 4.4 per cent.

NSK profits tumble 64% on strong yen

NSK, the leading Japanese ball bearing maker, yesterday unveiled a 64.4 per cent fall in unconsolidated pre-tax profits to Y2.81bn ($23m) for the first half to September, AP-DJ reports from Tokyo. Profits were hit by the yen's strength.

Sales slipped 3.9 per cent to Y176.7bn. Net profits fell 65.1 per cent to Y1.64bn, or Y2.95 a share, from Y4.71bn, or Y8.45 a share. The interim dividend is being maintained at Y4.

A breakdown of sales showed that bearings accounted for 89.0 per cent, Car parts sales increased 5.6 per cent to Y61.73bn while other goods made up 6.6 per cent.

President of Ito-Yokado resigns over scandal

By Emiko Terazono in Tokyo

MR MASATOSHI Ito, president of Ito-Yokado, the leading Japanese supermarket retailer which controls Southland of the US, resigned yesterday in an attempt to end a widening scandal involving illegal cash payments to gangsters.

Ito-Yokado, hailed as a fast-growing retailer which rewarded investors with high dividend payout ratios, had previously denied links with gangster, but Mr Ito, the group's founder, yesterday announced his resignation, accepting responsibility.

Ito-Yokado has looked for international expansion, and took a controlling stake in Southland, the Dallas-based convenience store chain.

The resignation follows the arrest of three company officials last week for breaking the commercial code by allegedly paying more than Y20m ($163,000) to gangsters to ensure order at the company's annual shareholders' meeting last May. At the press conference, Mr Ito denied reports alleging payments were made through a bank account belonging to his wife.

In Japan, disrupting shareholders' meetings is seen by gangsters as an easy source of income with some companies paying them off in advance.

The resignation has also caused embarrassment for the Tokyo Stock Exchange, which last month made an award to Ito-Yokado for increasing payouts to individual investors. The company has raised its dividend for the past 18 consecutive years. Yesterday the exchange said it would not retract its decision, but added the company would not be eligible for the award next year.

His successor is Mr Toshifumi Suzuki, the 59-year-old vice-president and president of Seven-Eleven Japan, the convenience store chain affiliated with Ito-Yokado. Mr Ito will leave his posts as chairman at Seven-Eleven and Denny's Japan, the restaurant unit.

Stockholm regains securities business from foreign centres

By Christopher Brown-Humes in Stockholm

NEARLY a year after Sweden abolished turnover tax on share transactions, it is clear Stockholm has increased its trading volume and raised its share of trade in Swedish securities. What is less clear is whether it has won much business back from foreign centres where Swedish shares are traded, notably London.

Mr Bjorn Karlin, chief executive of the Swedish Association for Share Promotion, said: "We are not losing any more business to London, but I am not sure that we have regained very much either."

Swedish turnover tax was abolished on December 1 1991. It had stood at 2 per cent for most of the late 1980s – allowing London to capture a significant portion of Swedish business following Big Bang – and was phased out in two steps over the course of last year.

Coincidentally, the fourth quarter of 1991 was a dismal trading period on the Stockholm bourse. Volume for 18 leading stocks reached 98.1m shares in Stockholm, or 92.3 per cent of London's 106.3m shares for the same companies.

In the first three quarters of this year, however, Stockholm's position has improved substantially. Volumes for the same 18 stocks have reached 132.7m, 140.4m and 125.8m shares in consecutive quarters, ahead of London's 124.9m, 118.8m and 112.4m.

Ericsson, the telecommunications group which in every quarter of last year traded fewer shares in Stockholm than in London, has seen the position reversed this year. But it is an exception among Sweden's leading companies: Astra, the pharmaceuticals group and SKF, the roller bearing group, still trade more in London than in Stockholm.

Mr Leif Vindevaag, head of research at the Stockholm Stock Exchange, believes there has been little erosion in London's competitive position when it comes to trading in leading international companies. But for a second tier of less actively traded groups, he believes there has been a flow back to Stockholm now the price differential between the two markets has disappeared.

Quantifying how much business Stockholm has regained is difficult due to other factors such as foreign net buying of Swedish shares and increased activity by domestic players following this year's reduction in capital gains tax. Stockholm can expect to enhance its position vis-à-vis London in stocks where it clearly has greater liquidity. But a strong reversal of the relative positions may require more than that.

Swiss National Bank to ease syndicate rules

By Ian Rodger in Zurich

THE Swiss National Bank will continue to require lead managers of Swiss franc bond syndicates to have a local domicile after the planned creation next year of the European Economic Area (EEA).

Mr Hans Meyer, a director of the Swiss central bank, said the country would be obliged to liberalise its syndicate rules next year if the Swiss people ratified the EEA treaty in a referendum on December 6.

However, the bank had learned that many other European countries were not about to liberalise completely their syndicate rules, and so Switzerland would not either.

Currently all members of a Swiss bond syndicate are required to have a Swiss domicile.

Mr Meyer said in future all members other than the lead manager could be based in other European countries.

IHI hit by decline in domestic spending

By Robert Thomson in Tokyo

ISHIKAWAJIMA-Harima Heavy Industries (IHI), the Japanese shipbuilder and heavy machinery maker, blamed a decline in domestic capital spending for an 8.1 per cent fall to Y11.2bn ($91.4m) in pre-tax profits for the first half.

Sales for the half to end-September were down 0.7 per cent to Y371.7bn, although sales of heavy machinery for industry fell 45 per cent following slower demand from car and paper makers, which are suffering from excess production capacity.

The company said the appreciation of the yen recently hurt export earnings, although the shipbuilding business, in recession until two years ago, reported a 25.8 per cent rise in sales. Japanese shipbuilders generally have full order books for the next two years, and are reluctant to increase production for fear of renewed price competition that would erode their healthy margins.

IHI said an expected fall in domestic capital spending during the next few months had forced it to cut previous forecasts for the full year to end-March. IHI had expected a pre-tax profit of Y27bn, now revised to Y25bn, but higher than last year's Y21.4bn. Sales are expected to fall to Y800bn from Y811.5bn.

Auditor qualifies Adsteam accounts

THE auditor of The Adelaide Steamship Co (Adsteam), the Australian investment group, has qualified the group's accounts for the year to June 30 and those of other group companies, Reuter reports.

"Without the financial support of its bankers, the company and its wholly owned entities will be unable to continue as going concerns," Mr Peter Kirk, Deloitte Ross Tohmatsu partner said.

INTERNATIONAL CAPITAL MARKETS

Gilts climb on speculation of further interest rate cuts

By Sara Webb in London and Patrick Harverson in New York

THE UK government bond market gained three-quarters of a point in volatile trading, with speculation about further interest rate cuts and a change in the funding rule serving to drive up the market.

The gilt market started on a strong note, continuing Wednesday's rally, but early gains were wiped out by profit-taking.

GOVERNMENT BONDS

However, gilt prices later picked up ahead of the Chancellor of the Exchequer's Mansion House speech. Dealers said the gilt market hoped that Mr Norman Lamont's speech would contain promises of further cuts in interest rates as well as possible changes in the full funding rule.

The 9 per cent gilt due 2008 rose from 102 13/32 at Wednesday's close, to end at 103 11/32, while shorter-dated issues ended weaker or unchanged.

■ THE Bundesbank's decision to leave its key interest rates unchanged, coupled with the release of poor inflation figures, disappointed the German government bond market, and bunds ended lower on the day.

Consumer prices for the western German state of Hesse rose 0.6 per cent in the month to mid-October and were up 4.0 per cent from a year ago. The preliminary western German inflation rate showed a month-on-month increase of 0.4 per cent and a year-on-year rate of 3.8 per cent – higher than expected. The inflation figures killed hopes for an easing in the near term and pushed bund prices lower.

New issuance in the D-Mark sector also helped to depress bund prices yesterday following the formal pricing of the Republic of Finland's DM1bn Eurobond issue. The Liffe bund futures contract opened at 91.59 and reached a high of 91.66 early on, but then dropped to a low of 91.18.

■ US Treasury prices were slightly firmer across the board in light trading yesterday morning, with sentiment receiving a mild boost from a tightening in the election race and some poor jobs figures.

After midday the benchmark 30-year government bond was up 1/8 at 95 23/32, yielding 7.597 per cent. The two-year note was also higher, up 1/16 at 99 13/16, to carry a yield of 4.267 per cent.

Traders reported that with the week's main economic statistics and the two big Treasury auctions out of the way, business was extremely light, although there was some retail interest early on.

That was probably sparked by the day's only economic news, which provided some support to buyers. The latest weekly jobless claims figures showed an increase of 8,000 people claiming state unemployment insurance, a slightly bigger rise than expected by market analysts.

Recent jobs numbers have suggested that labour market conditions were gradually improving, but yesterday's jobless claims data cast a cloud over that judgment.

The latest opinion polls from the presidential race also affected the market. They showed that Governor Bill Clinton's lead over President Bush has narrowed into single digits. Although some observers believe it is too late for Mr Bush to catch up, the figures indicate the final result could be much closer than expected.

This buoyed Treasury investors, who over the past few weeks have been selling government securities on fears that if Governor Clinton won the presidency, he would quickly institute an aggressive fiscal policy that could push up interest rates, revive inflationary pressures and widen the deficit. Any sign that Mr Bush still has a fighting chance, therefore, was greeted warmly by the market.

■ THE Bank of France cut one of its key money market intervention rates yesterday, but dealers said the move had little impact on the French government bond market.

The central bank lowered the rate on its five-10 day securities repurchase agreements from 13 per cent to 10.5 per cent – the level at which it had been before the recent currency turmoil. Dealers said the move was intended to signal that the French franc was no longer under pressure from speculators. Yields on short-dated bonds ended the day slightly higher, while the long end of the market was unchanged.

■ JAPANESE government bonds continued to rally as short-term money market rates fell to their lowest level in four years.

The December futures contract climbed from its opening of 107.41 to a high of 107.55, and closed at 107.50. In the cash market, the yield on the benchmark No 145 moved from 4.73 per cent to close at 4.715 per cent. The yield touched 4.705 per cent, the lowest level for the benchmark since December 1988.

The market took its bullish tone from the easing in short-term interest rates.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	106.4817	-0.035	9.00	8.73	8.85
BELGIUM		8.750	08/02	103.8500	-0.120	8.15	8.16	8.62
CANADA *		8.500	04/02	106.0500	+0.650	7.59	7.91	7.98
DENMARK		9.000	11/00	100.7500	-0.450	8.86	8.90	9.57
FRANCE	BTAN	8.500	03/97	101.1610	-0.198	8.15	8.21	8.82
	OAT	8.500	11/02	102.1050	-0.140	8.18	8.25	8.65
GERMANY		8.000	07/02	104.0450	-0.390	7.40	7.38	7.54
ITALY		12.000	05/02	83.2350	+0.436	13.71†	14.12	14.14
JAPAN	No 119	4.800	06/99	100.6847	+0.137	4.68	4.72	4.73
	No 145	5.500	03/02	105.1440	+0.136	4.71	4.78	4.80
NETHERLANDS		8.250	06/02	104.3900	-0.330	7.58	7.59	7.85
SPAIN		10.300	06/02	88.7000	-0.100	12.34	12.28	13.19
UK GILTS		10.000	11/96	110-05	-3/32	7.08	7.20	8.47
		8.750	08/02	110-22	+4/32	8.14	8.33	8.93
		9.000	10/08	103-20	+24/32	8.58	8.93	9.25
US TREASURY *		6.375	08/02	97-16	-	6.73	6.77	6.37
		7.250	08/22	95-25	+1/32	7.61	7.62	7.35
ECU (French Govt)		8.500	03/02	98.0800	-0.190	8.80	8.89	8.37

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

SEC and regulators deadlocked over capital requirements

By Tracy Corrigan

IOSCO Conference

THE controversy over international capital requirements for securities firms, which has dogged this year's meeting of the International Organisation of Securities Commissions (Iosco) in London, persisted as the conference drew to a close yesterday.

The gap between the US Securities & Exchange Commission and most other regulators appears wider than ever, following the failure of Iosco's technical committee to reach agreement on this crucial issue.

Firing a last shot in this week's exchange, Mr Richard Breeden, the SEC chairman, who heads Iosco's technical committee, described comments by Sir Leon Brittan, vice-president of the European Commission, earlier this week as "ill-informed".

In a veiled attack on the SEC on Wednesday, Sir Leon had said "no single national regulator ... can expect to impose their system on everyone else."

Speaking at the end of the conference yesterday, Mr Breeden said: "It is totally inaccurate to characterise [our position] as imposing our will on anyone else."

He added: "Politicians need to stay out of it and leave it to the professionals."

But Mr Breeden raised the temperature of the debate by describing the capital requirements enshrined in the European Community's capital adequacy directive as "the lowest common denominator".

He pointed out, however, that while there was deadlock on standards for equities, Iosco had made considerable progress on standards for the much larger market in debt securities.

Mr Andrew Large, chairman of the UK's Securities and Investments Board (SIB), said Iosco intends to resume discussions with the Basle Committee on banking supervision, chaired by Mr Gerald Corrigan, on capital requirements for debt, and will continue work on the equities side within the technical committee.

The row over capital requirements obscured some of the other issues raised during the conference, where agreement was reached.

Among the decisions of the conference, Mr Large noted:

- A resolution on money laundering, recommending measures to combat the practise in the securities industry.
- A set of principles for the supervision of financial conglomerates.
- A blueprint for effective clearing and settlement systems in emerging markets.
- Endorsement of the use of international auditing standards, to facilitate orderly cross-border offerings.

Work continues in several other areas, such as international accounting standards and transparency.

Two committee chairmen were elected during the conference. Mr Jean Saint-Geours, who heads France's Commission des Opérations de Bourse, will head the technical committee, in place of Mr Breeden, and Mr Martin Redrado, president of Argentina's Comision Nacional de Valores, will chair the development committee, both for two years.

In addition, the UK signed memoranda of understanding on regulatory co-operation with Australia and Hong Kong.

Dollar bloc back in favour on strong assessment of fundamentals

By Brian Bollen

VARIETY was the theme of the day in the international bond market yesterday, with a series of issues in different currencies for credits at the extremes of the risk-reward spectrum.

The dollar bloc, where traders argue the fundamentals are still strong for further cuts in interest rates, showed signs of coming back into favour after being oversold.

INTERNATIONAL BONDS

General Electric Capital Corporation reopened the Canadian dollar sector, issuing a C$200m 7⅜ per cent bond with a maturity of just over five years and a spread of 52 basis points over comparable Canadian government bonds. The amount was increased from C$150m, reflecting strong demand, said Morgan Stanley International, joint lead manager with Swiss Bank Corp.

While the result of Canada's referendum on constitutional reform was not the one the market wanted, the removal of the surrounding uncertainty could help bring about a rally.

Trinidad and Tobago's $100m five-year bond was priced to reflect the unusual risk, with a spread of 565 basis points over comparable US Treasuries. The coupon of 11½ per cent and issue price of 99.00 translate into an effective annual yield of 11¾ per cent.

Lead manager Credit Suisse First Boston acknowledges the issue needs much explanation.

Pricing of the £100m 8⅜ per cent five-year bond from Forte, the UK hotel group at 101.29 was described as realistic. While the 111 basis points spread over comparable gilts looks generous, hotels are not an attractive sector in a recession and Forte's debt has recently been downgraded.

Forte's bonds are being compared unfavourably with Hanson paper trading at similar levels in the secondary market.

Lead manager Goldman Sachs reported that demand came from banks looking to convert the bond into a synthetic floating rate instrument as part of an asset package and from traditional bond investors.

Crédit Lyonnais took the FFr1bn 7-year 8.8 per cent bond it led for BSN, the French food group, to the market, selling it to funds in Germany, Switzerland and the Netherlands.

Finland's DM1bn five-year 7¾ per cent bond fell back in line with the market after being priced at the tighter end of the expected range to yield 68 basis points over German government bonds. The recent volume of supply has taken some of the steam out of the D-Mark sector, say traders.

The run of issues by multilateral banks continued with a SFr300m 10-year issue from Inter-American Development Bank, carrying a coupon of 6¼ per cent and priced at 101¾.

● Den Danske Bank will make two bond issues on November 12 and 14, each of DKr500m, writes Hilary Barnes in Copenhagen. The loans will be tier II capital and they will replace ordinary subordinated loans, which no longer meet the Basle definitions for supplementary capital.

One will be a fixed rate loan maturing in January 1996 with a coupon of 1.25 percentage points over the equivalent Treasury bond. The second, maturing at the same time, will be a variable rate loan. Danske last went to the bond market in December last year, when it raised DKr1.2bn.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Asian Development Bank	300	6.125	99.46	1997	25/15bp	Lehman Bros.Int.
Republic of Trinidad & Tobago	100	11.5	99	1997	1½/1%	CSFB
UBS Finance(a)‡	100	(a)	100	2002	50/20bp	UBS P&D Secs.
YEN						
Seiyu Europa	25bn	5.65	101.625	2000	1⅞/1.7%	Nomura Int.
D-MARKS						
Republic of Finland	1bn	7.75	101.88	1997	2⅛/1.95%	Dresdner/M.Stanley
Deutsche Ausgleichsbank(b)‡	100	(b)	99.95	2002	30/15bp	Trinkaus & Burkhardt
STERLING						
Forte	100	8.375	101.29	1997	1⅞/1½%	Goldman Sachs Int.
FRENCH FRANCS						
BSN	1bn	8.8	101.05	1999	1⅞/1¼%	Crédit Lyonnais
Fuji Citic Corp.★★	150	8.875	101.875	1997	-	Banque IBJ(France)
CANADIAN DOLLARS						
GECC(d)	150	7.375	101.925	1998	1⅞/1.725%	Morgan Stanley Int.
GECC(d)	50	7.375	101.775	1998	1⅞/1.725%	Morgan Stanley Int.
SWISS FRANCS						
Inter-American Dev.Bank★★	300	6.25	101.75	2002	-	UBS
Bangkok Land(c)§★★	60	4.5	100	1997	-	DG Bank(Schweiz.)

Final terms and non-callable unless stated. ★★Private placement. §Convertible. ‡With equity warrants. a) Issue launched 15/10/92 was increased to $250m. Coupon pays 25bp below 6-month Libor. Minimum coupon 5%, maximum 8¼%. b) Coupon pays 9% for first year and 14% minus 6-month Libor thereafter. c) Final terms fixed on 3/11/92. Conversion premium indicated at 5% and put/call after 3 years at 8¼%. d) The C$150 issue was increased to C$200m.

FT FIXED INTEREST INDICES

	Oct 29	Oct 28	Oct 27	Oct 26	Oct 23	Year ago	High *	Low *
Govt Secs	94.38	94.18	93.53	93.28	93.41	88.68	94.38	85.11
Fixed Interest	108.33	107.71	106.95	106.62	106.46	98.54	108.33	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1992. Government Securities high since compilation:127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 108.33 (29/10/92), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

	Oct 28	Oct 27	Oct 26	Oct 23	Oct 22
Gilt Edged Bargains	238.5	208.8	198.2	165.9	162.1
5-Day average	197.9	191.4	183.9	174.4	170.5

Indices: Gilt activity 1974

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on October 29

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

* No information available - previous day's price
† Only one market maker supplied a price

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	38	36	4
Other Fixed Interest	11	2	2
Commercial, Industrial	195	296	930
Financial & Property	145	98	561
Oil & Gas	11	22	52
Plantations	2	0	7
Mines	38	25	86
Others	46	26	39
Totals	486	505	1,681

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Am'nt Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price p	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
§	F.P.	–	201	180	Chubb Security	186	+1	L2.8	2.9	2.0	20.5
–	F.P.	–	102	100	For. & Col. PEP Inv Tst.	102		F3.38	–	4.4	–
–	F.P.	–	33	31	Jos Hldgs Cap	33		-	-	-	-
–	F.P.	–	92	90	Do. Inc.	92		F11.5	–	16.7	–
–	F.P.	–	103	101	Do. Zero Div. Pf.	103		–	–	–	–
130	F.P.	–	158	140	Linx Printing Techs.	149	-1	L2.6	2.8	2.3	17.7
120	F.P.	–	192	157	‡Tepnel Diagnostics	175	-5	–	–	–	–
120	F.P.	–	137	126	Trinity	137		R5.4	1.9	5.4	12.9
45	F.P.	–	51	47	Vardon	49		b0.75	5.5	2.0	12.3

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
-	F.P.	-	105p	104½p	Bristol Water 8⅞pc Pf	105p	
100p	F.P.	-	110¼p	105¾p	Fulcrum Inv Tst Zero Div Pf	110¼p	+¼
100	F.P.	-	106⅛	104¼	NFC 7¾pc Cv. Bd. 2007	106¼	-⅛

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
78	Nil	10/11	1½pm	1¼pm	Capital Inds.	1¼pm	
295	Nil	1/12	45pm	27pm	Greenalls	28pm	-3
335	Nil	22/12	52pm	10pm	Wagon Indl.	12pm	-5

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of capitalisation. † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings Oct. 26
- Last Dealings Nov. 6
- Last Declarations Jan. 28
- For settlement Feb. 8

3-month call rate indications are shown in Saturday editions.
Calls in AMEC and Royal Insurance. Puts in Forte and Hanson warrants.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

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*Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Thu Oct 29	Day's change %	Wed Oct 28	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (22)	128.49	-0.08	128.59	1.72	10.69
2	5-15 years (25)	146.13	....	146.13	1.62	11.85
3	Over 15 years (8)	153.17	+0.59	152.28	2.45	9.97
4	Irredeemables (6)	169.26	+0.59	168.26	-0.06	13.45
5	All stocks (61)	142.55	+0.05	142.48	1.75	11.46
	Index-Linked					
6	Up to 5 years (2)	183.76	....	183.77	0.31	3.68
7	Over 5 years (10)	168.29	+0.46	167.52	0.83	4.04
8	All stocks (12)	169.18	+0.48	168.52	0.76	3.96
9	Debs & Loans (62)	122.69	+0.25	122.38	2.16	10.11

AVERAGE GROSS REDEMPTION YIELDS

			Thu Oct 29	Wed Oct 28	Year ago (approx.)
	British Government				
1	Low	5 years	6.97	6.93	8.56
2	Coupons	15 years	8.23	8.29	9.45
3	(0%-7¾%)	20 years	8.51	8.58	9.45
4	Medium	5 years	7.32	7.27	9.70
5	Coupons	15 years	8.57	8.61	9.58
6	(8%-10¾%)	20 years	8.81	8.88	9.55
7	High	5 years	7.58	7.53	9.90
8	Coupons	15 years	8.90	8.94	9.67
9	(11%-)	20 years	9.01	9.07	9.60
10	Irredeemables†		8.90	8.95	9.65
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.34	2.33	3.84
12	Inflation rate 5%	Over 5 yrs.	3.70	3.73	4.23
13	Inflation rate 10%	Up to 5 yrs.	1.55	1.54	3.22
14	Inflation rate 10%	Over 5 yrs.	3.52	3.54	4.06
15	Debs &	5 years	8.76	8.74	11.30
16	Loans	15 years	9.90	9.92	11.11
17		25 years	10.11	10.14	10.94

† Flat yield.

COMPANY NEWS: UK

Bank talks behind £14m loss says Lep

By Andrew Bolger

LEP GROUP, the freight forwarding group and security concern, blamed heavy interim losses on uncertainty caused by its rescue talks and the continuing impact of recession. The group was recently restructured by its banks.

In the six months to June 30 pre-tax losses were £14.2m, compared with profits of £1.9m, on turnover down from £749.1m to £644.9m. About £97m of the £104m sales decrease related to discontinued activities.

Lep was brought to the brink of bankruptcy by borrowings of more than £500m but reached agreement in August with about 25 banks to convert £180m of debt into equity.

The losses were struck after exceptional charges of £5.57m, of which £3.37m related to restructuring costs and provisions and the rest being the costs of the debt restructuring.

Interest charges increased to £22.3m (£17.1m), however future charges will be reduced by the debt-for-equity swap.

There was an extraordinary charge of £2.64m, most of it attributable to the cost of withdrawing from certain property interests in the UK.

Mr David James, the company doctor brought in to advise Lep in March, said the board was involved in a review of activities. This was likely to result in further exceptional and extraordinary charges in the full-year results.

The attributable loss was £18.7m, (profit of £391,000). Losses per share were 11.6p (earnings of 0.4p). Because of the accumulated losses, the board said it did not expect to pay any dividend for some years.

LEP has booked a profit of £1.89m on a deal with its own pension fund trustees which caused a shortfall in the fund. In June last year Lep sold its fund a property for £12.5m, which was subsequently valued at £8.5m. Lep now pays the fund £1m a year in rent for the London office development.

The deal represented a high proportion of the fund's £28m assets at a time when self-investment had been criticised in the pensions industry.

In June this year the trustees said the fund had a shortfall of £900,000 and suspended transfers out of the fund by former employees. Lep has agreed to increase its pension contributions significantly in order to eliminate the shortfall within two to three years.

Lep said yesterday that the £1.89m profit on the sale had not been recorded in the 1991 accounts. The figure has now been included in restated UK property profits of £5.24m for the half-year to June last year.

Mr James, who became chairman and chief executive in August, said that despite the significant losses, the underlying continuing operations remained profitable overall. This was reflected by operating income from continuing businesses, before exceptionals, of £13.2m (£16.4m).

No provision has been made in these accounts regarding a claim against the company launched in October by ADT, the security group which has written off £65m of its 27 per cent stake in Lep. ADT claims it relied on misleading public statements by Lep when it bought the shares in 1990.

Net asset value falls to 202.07p at GSIT

The net asset value per share of the Govett Strategic Investment Trust fell from 215.73p to 202.07p in the six months to September 30. At the previous year end it stood at 237.49p.

Available revenue fell to £7.23m (£7.78m) and earnings per share were 7.36p (7.93p).

A proposed final dividend of 4.1p, payable on January 4, maintains the total at 6.75p.

Ratners meets bonds redemption deadline

By Angus Foster

RATNERS, the jewellery retailer, will redeem almost all its 4 per cent convertible bonds 2002 today.

Redemption was anticipated because holders had the right to demand redemption since Ratners ordinary shares have fallen well below the conversion price of 456p. But it was uncertain that the company could meet the deadline because of its financial position.

Redemption will cost £58.5m and the company agreed with its bankers last year it would only redeem the bonds so long as it remained within its banking agreements and did not need further borrowings.

Mr James McAdam, chairman, said the development was positive. "It shows we have been meeting all our credit obligations. Here is a big one and we are obviously meeting that," he said.

The shares added ¼p to 9¼p.

Ratners is redeeming £43.96m nominal at 133 per cent, known as the put premium. Holders of £40,000 nominal have elected not to redeem.

Earlier this month Next, the fashion retailer, was also forced to redeem its convertible bond at a cost of £89.2m.

Howden expects to settle MT dispute

Howden Group's shares yesterday rose 7p to 50p after the Glasgow-based engineer announced that settlement of its dispute with MT Group was expected before the end of the year.

The long-running dispute centres on a contract to supply tunnelling machines to Denmark, where MT, the international consortium, is constructing twin rail tunnels under the Great Belt waterway.

In the year to April 30, reduced provisions of £1.07m (£10.4m) related to the matter helped Howden lift pre-tax profits to £18.1m (£2.99m).

Howden said yesterday that a further announcement would be made shortly.

City ambushed by Tomkins' latest target

Richard Gourlay on the take-over tactics of Greg Hutchings' cashed up conglomerate

FOR THE past year the Tomkins name has rarely been far from takeover rumours that periodically flash around the City. Earnings growth was beginning to slow, possibly to stall; more than two years had elapsed since the last acquisition; and the group had built a handsome £150m war chest.

But when Mr Greg Hutchings' industrial conglomerate yesterday launched a recommended bid for Ranks Hovis McDougall, countering a hostile approach from his old boss Lord Hanson, it took City observers by surprise.

"We have a few hard weeks ahead of us to convince people it is not a departure for us," said Mr Hutchings. Judging by the 19 per cent slide in the Tomkins share price yesterday, the market would seem to be saying Mr Hutchings has some fast talking to do.

On the other hand, Mr Hutchings has his record on his side. Since starting to build a conglomerate in 1982, his acquisitions have tended to be infrequent and big, relative to the size of the business.

What is more, they have mostly been very good for shareholders.

The meteoric rise of Hutchings from the personal staff of Lord Hanson via the 1982 acquisition of a small fasteners company, into chief executive of a FT-SE 100 company has long passed into the history of 1980s acquisition driven growth stocks.

But Mr Hutchings is usually credited with trying to build an industrial conglomerate; RHM would take Tomkins far deeper into markets dependent on the foibles of consumers' daily decisions about brands.

Mr Hutchings will be trying to remind sceptics that many of his previous acquisitions have also been into markets that he knew nothing about. This is a view echoed by Mr Geoffrey Eaton, Tomkins corporate development manager: "We are always moving into new markets. When we bought Smith & Wesson, we knew nothing about guns; when we bought Murray Ohio in the US – a loss-making bicycle maker – everyone threw up their hands in horror."

Both have turned out to be good acquisitions.

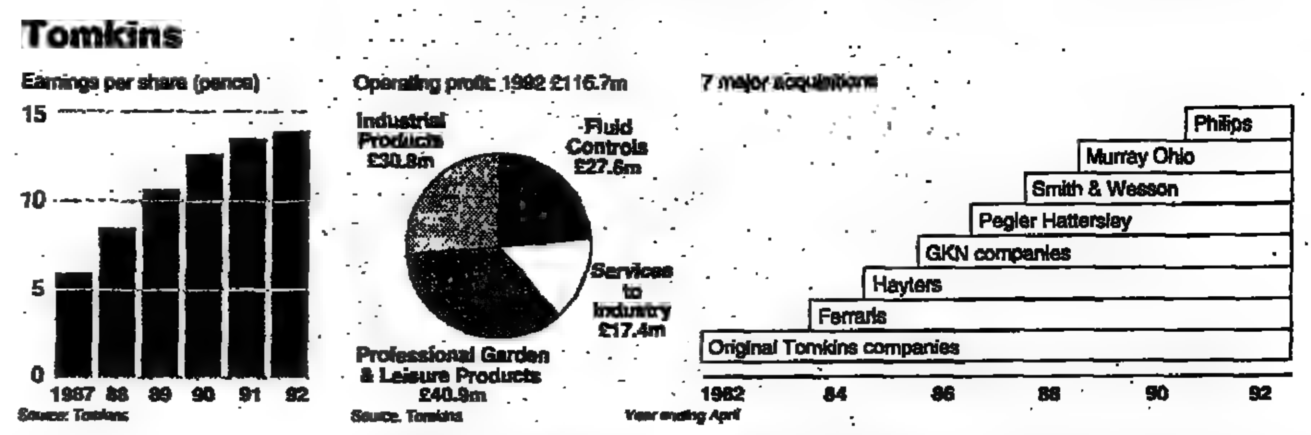
Tomkins' last acquisition, Philips Industries in the US for $550m, was typical of what people think Tomkins is about.

The US company was a widely based industrial group where the management was disenchanted and attempting to put together a buy-out.

Prior to that, however, the 1989 acquisition of Murray Ohio for $224m was closer to consumer markets as was Smith & Wesson, the handgun company bought for $112m a year earlier.

More importantly, most Tomkins' targets display a number of common threads.

Tomkins



Source: Tomkins

They tend to be mature, low to medium technology manufacturing companies, and are not in distribution.

They usually generate cash but are poorly managed with lacklustre management.

RHM, Mr Hutchings says, has many of the same characteristics: "It is a manufacturing business and a management opportunity."

Another Tomkins characteristic is the ruthless revitalisation strategy.

Targets are put swiftly on to the Tomkins' financial reporting system and management is set strictly defined targets for cash and profits generation and return on controllable capital employed.

RHM managers, encouraged by the prospect of a more energetic and focused head office might take note of what they are up against.

"RHM has £1.4bn of costs that we can examine," says Mr Hutchings.

While this strategy has been successful, it has left Tomkins with a growing problem.

About 75 per cent of the business is in the US. Quite apart from currency exposure problems, Tomkins is approaching a serious ACT problem as the current mix of businesses do not generate enough UK profits.

The UK was therefore the most likely venue for the next acquisition.

Market reaction yesterday was varied. Conglomerate followers gave Tomkins the benefit of the doubt because of its successful record.

Observers of the food industry, however, were more sceptical.

Mr Geoff Allum, at County NatWest, said there were clear reasons why Tomkins would want the deal, not in the least Tomkins' apparent belief that UK economic recovery is not imminent. As a result, there was little point in Tomkins investing in a cyclical recovery stock.

The food sector was an obvious defensive company to target.

With Tomkins earnings growth levelling off, Tomkins' cost cutting and tighter control of cash would give profits growth where little was visible from many other quarters in the UK.

Mr Allum said Tomkins has not yet explained how it will lead RHM out of the difficulties facing the bread market and the problems of the milling and baking industry.

As a result, Mr Hutchings still has to convince large sectors of the market that £935m is not too high a price. "There may be something that can be done if capacity in bread can be reduced," Mr Allum said. "But there is no evidence that there is a reasonable strategy to sort out bread."

Tomkins dismisses the scepticism. Baking, Mr Eaton says, is not a business in terminal decline.

"The question is who is going to take out the (excess) capacity," he says. "We are profit not market share driven."

Yesterday's share price fall in Tomkins left Mr Hutchings disappointed that his strategy had not been better understood.

The question remains whether he will have the leisure to explain the move or whether he will have to deal with a higher counter-offer from his old boss.

Management set to buy British International Helicopters

By Raymond Snoddy

CONDITIONAL agreement has been reached with a management buy-out team for the sale of British International Helicopters, Mr Robert Maxwell's old helicopter company. The company has 26 helicopters and 400 staff, mainly operating in the North Sea and to the Isles of Scilly.

Arthur Andersen, administrators to the private Maxwell interests, said yesterday the deal was conditional on both Civil Aviation Authority approval and on finance. The administrators added, however, that financing arrangements would be confirmed shortly.

CHC Helicopter Corporation of Canada will be a minority shareholder but the majority will be UK controlled.

BIH has faced uncertainty since Arthur Andersen was appointed administrators last December, a month after Mr Maxwell's death.

Bids from rival helicopter companies Bond and Bristow were referred to the Monopolies and Mergers Commission although Bristow then withdrew its bid.

Yesterday, Mr Michael Heseltine, President of the Board of Trade, accepted statutory undertakings from Bond and BIH not to proceed with the proposed merger.

The MMC noted that if the merger had taken place only two operators, each with about half the market, would remain to provide helicopter services to the UK offshore oil and gas industry.

BIH said yesterday all existing North Sea services would continue as would the link to the Isles of Scilly.

Mr Stewart Birt, leader of the MBO team yesterday praised staff for "working so well through a difficult period."

Harmony calls for rejection of rebel moves

By Tim Burt

HARMONY LEISURE, the loss-making pubs and restaurants group, yesterday launched a fierce attack on rebel shareholders who are seeking an extraordinary meeting to oust the company's executive directors.

Urging investors to reject the proposals, Harmony said the leaders of the dissident group had misled shareholders about their former directorships and offered no concrete plans for reviving the company.

"They have been less than candid in their own descriptions and somewhat economical with the truth," said Mr Robert Dawson, non-executive chairman.

According to Harmony, rebel leader Mr Andrew Martyr – who claims the backing of 30 per cent of the shareholders – had never been on the board of Holiday Inns International, although he listed the company among his directorships when he first asked shareholders for support.

Mr Dawson also suggested that Harmony's bankers could withdraw their backing if the rebel moves were approved.

The company's annual accounts, published earlier this month, were qualified after bankers demanded a substantial reduction in overdrafts and loans. Barclays is understood to be seeking a six figure debt reduction.

Harmony's pre-tax loss rose 70 per cent to £3.68m on turnover of £6.44m in the 52 weeks ended March 29.

Notifying shareholders of an EGM on November 26, Mr Dawson said the company was "actively examining alternatives which include improving the quality of Harmony's assets within a larger grouping. This should improve shareholder value over time and be reflected by a higher share price".

Dowding & Mills issues warning of further decline in profitability

Mr Peter Hollings, chairman of Dowding & Mills, the electrical and mechanical repair company, warned at the annual meeting that the profits falls seen in the last two years were expected to continue if business volume continued to decline.

He said that industrial activity continued to fall and this was having a direct impact on the company. However the balance sheet was strong and the company was still profitable.

In the year to June 30 pre-tax profits fell by 23 per cent to £6.53m.

PUBLIC WORKS LOAN BOARD RATES

Effective October 27

Years	Quota loans* EPI†	AH††	maturity§
1			$6\frac{3}{4}$
Over 1 up to 2	$6\frac{7}{8}$	$6\frac{7}{8}$	$7\frac{1}{8}$
Over 2 up to 3	7	$7\frac{1}{8}$	$7\frac{3}{8}$
Over 3 up to 4	$7\frac{1}{4}$	$7\frac{1}{4}$	$7\frac{1}{2}$
Over 4 up to 5	$7\frac{1}{4}$	$7\frac{3}{8}$	$7\frac{3}{4}$
Over 5 up to 6	$7\frac{3}{8}$	$7\frac{1}{2}$	8
Over 6 up to 7	$7\frac{1}{2}$	$7\frac{1}{2}$	$8\frac{3}{8}$
Over 7 up to 8	$7\frac{5}{8}$	$7\frac{5}{8}$	$8\frac{5}{8}$
Over 8 up to 9	$7\frac{3}{4}$	$7\frac{7}{8}$	$8\frac{7}{8}$
Over 9 up to 10	$7\frac{7}{8}$	8	$9\frac{1}{8}$
Over 10 up to 15	$8\frac{1}{2}$	9	$9\frac{7}{8}$
Over 15 up to 25	$9\frac{5}{8}$	10	$10\frac{1}{8}$
Over 25	10	$10\frac{1}{8}$	$10\frac{1}{8}$

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Currency jitters focus on Unilever swap option

Christopher Price reports on the difficult decisions behind the switch strategy on Anglo-Dutch shares

STERLING'S downward roller-coaster slide in recent weeks has sent fund managers reaching for their computer models and calculators to gauge the potential for switching shares issued in pounds and guilders by Unilever and Shell, the Anglo-Dutch groups.

The subject has acquired added importance in recent weeks following the announced merger of Reed International and Elsvier, the British and Dutch publishing groups. Investors have eagerly awaited further details of the merger, particularly since exchange rate turmoil has probably made it harder for the two to reconcile the values of the Dutch and UK businesses. Reed might reveal more information with its results today.

The decision to switch from one stock to the other is not an easy one, with several factors to take into account. While the arguments are basically the same for both groups, the recent experience of Unilever highlights the problems.

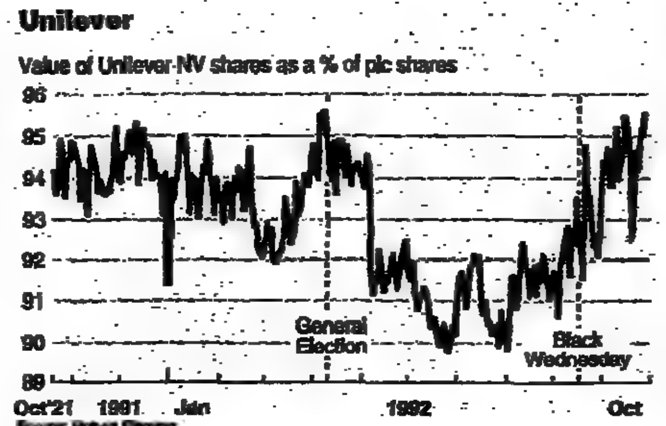
It has been estimated that about 5 per cent of the stock has been swapped.

Earlier this month, several institutions switched from Dutch shares in Unilever NV to UK shares in Unilever PLC as sterling tumbled. They believed that Unilever earnings per share, as expressed in sterling, would grow faster due to favourable overseas earnings.

Some brokers, however, caution that currency considerations are only one aspect of the switching argument. They say this is demonstrated by NV's shares outperforming the PLC.

Unilever

Value of Unilever-NV shares as a % of plc shares



Source: Robert Fleming

As the accompanying chart shows, the PLC shares have been running at a 5-10 per cent premium to their NV equivalent for most of 1992, sustained by a combination of greater liquidity, sterling's membership of the ERM – pre-mid September – and the periodic outperformance of the London market relative to the Amsterdam bourse. This led to successive bouts of switching from the PLC to the NV's, particularly as the PLC's premium to the latter crept up towards the 10 per cent mark. PLC has also been subject to individual shocks, for example the Tory election victory in April which boosted the premium from around 5 to 9 per cent. Sterling's exit from the ERM had the reverse effect.

If the difference between the two shares is less than 3 per cent, then most brokers agree that the switch is uneconomical. But beyond that there is differing opinion as when to consider the move.

"There is no precise science in this," says Mr John Campbell, food manufacturing analyst at County NatWest and a former head of investor relations at Unilever. "It is a combination of several key components, of which currency is only one."

Dividend yield is often cited as one of the fundamental considerations behind a switch decision and sterling's recent nosedive has made Unilever's interim dividend payment – to be announced next week – all the more pertinent.

Merchant bank Robert Fleming says that, in light of the sterling crisis and the company's method of equalising dividend payments between its two sets of shareholders, NV shares are likely to enjoy a better yield than the PLCs. Under the equalisation agreement – with 3 NV shares equal to 20 PLC shares – the interim dividend is calculated by the average exchange rate during the third quarter.

Fleming calculates that at an average rate of £1:Fl 3.14 in the company's third quarter, and assuming that the NV dividends are raised in line with market expectations of profits of about 3.3 per cent, PLC shareholders could see a 10 per cent rise in their interim dividend to 5.5p. But at rates on the date of dividend declaration (assuming no big shift from today's 2.76), PLC dividends would be 9 per cent lower than those being paid to NV shareholders.

Taxation is another factor that investors must take into account when considering the yield. Gross UK funds, such as pension funds, which hold NV shares are subject to a 15 per cent Dutch withholding tax on dividends. Life funds face a corporate tax of 33 per cent, while UK mutual funds must pay a 25 per cent levy. Other corporate investors are liable to a combination of taxes totalling about 33 per cent.

While not quite the same, it is a similar story for Dutch investors holding PLC shares.

The decision to switch from one stock to the other is not an easy one, with several factors to take into account. While the arguments are basically the same for both groups, the recent experience of Unilever highlights the problems.

And while gross funds at first glance look good to switch, both UK and Dutch investors tend to favour the PLCs and NVs respectively because they can only reclaim their domestic witholding tax. Where much of the Anglo-Dutch activity does come from is those fund managers not concerned with dividends but with short-term positions.

For US investors, the vexed question of taxation faced by most of their European counterparts is simpler. They are subject to the same 15 per cent witholding tax in both PLC and NV shares: a tax neutral situation making their ability to switch easier.

Not surprisingly, it is from the US that most switching originates. US investors, who trade both NV and PLC shares in New York, now hold some 20 per cent of Unilever equity.

And with the continued strength of the Dutch guilder relative to sterling, some observers believe that US investors may prefer to take the NV route to Unilever as the uncertain economic outlook persists, closing down the PLC premium.

As the gap persists, fund managers continue to plot sterling's plight with added interest. Mr Carl Short, food analyst at Nomura, said: "Currency is very much a double-edged sword when it comes to switching.

When sterling depreciates against other currencies, there is a translation gain which benefits the group's earnings per share growth when expressed in sterling terms.

"However, the positive impact of this on the PLC share price needs to be set against the relative capital disadvantage of holding a sterling asset, ie PLC shares, as opposed to a gilder-denominated one, ie NV shares, while sterling depreciates against the guilder."

It has been a similar story at Shell, where the Dutch shares have been at a premium to the UK shares, which trade as Shell Transport. Black Wednesday sent Royal Dutch to a temporary high premium of 11 per cent from about 6 per cent. Arbitrageurs bought into Shell Transport and narrowed the gap.

NEWS DIGEST

Davenport Knitwear leaps 75%

DAVENPORT Knitwear, the Birmingham-based knitted fabrics and garments manufacturer, reported pre-tax profits ahead 75 per cent to £374,000, against £214,000, for the six months to June 30.

Turnover increased to £3.64m (£3.33m).

After tax of £123,000 (£72,000) at an estimated rate of 33 per cent, net profits amounted to £251,000 (£142,000).

Earnings per share emerged at 14.46p (8.18p). The company does not make an interim distribution.

Cullens swings £16,000 into the red

Cullens Holdings, the food retailer, swung into the red with a loss at the pre-tax level of £16,000 for the six months to August 30.

The outcome compared with a profit of £370,000 last time and profits of £754,000 at the March 1 year end.

The deficit was struck after exceptional costs of £113,000 (£38,000 profits).

Gross turnover for the six months was £10.9m, against £10.1m in the comparable period. Losses per share came out at 0.1p (earnings 1.3p).

Wilton setting its sights on expansion

Wilton Group is well on the way towards disposing of the bulk of its commercial property portfolio. That, and the improving position at Glenchewton, would "place the company in a position to consider proposals for expansion within the near future," said Mr Michael Buckley, chairman.

Glenchewton is the 70 per cent-owned listed subsidiary, activities of which cover the wholesaling and distribution of toys, electrical components, hardware and housewares.

Mr Buckley said Wilton had sold more than 50 per cent of its commercial property portfolio and the proceeds of £4.1m had reduced indebtedness.

Reporting for the first half of 1992, Mr Buckley said the group incurred a pre-tax loss of £753,000 on turnover of £14.6m.

Losses per share came to 0.15p (earnings 0.01p).

At Glenchewton, the ongoing rationalisation was producing improved results. The trading pre-tax loss, before exceptional items, was reduced to £489,000 (£679,000) on sales of £13.6m (£13.8m). A significant profit was expected in the second half.

Rowe Evans doubles to £926,000

Continuing firmness in the palm oil price and increasing crops in the developing Indonesian estates enabled Rowe Evans Investments to double its pre-tax profit.

For the first half of 1992 profit rose from £443,000 to £926,000 on turnover ahead from £1.73m to £2.42m. Earnings were 1.13p (0.62p) per share.

Undertakings sought on Seismograph deal

Schlumberger, the US energy group, has been asked to make several undertakings in order to avert referral of its planned acquisition of Seismograph Services from Raytheon of the US to the Monopolies and Mergers Commission.

Jos restructuring wins approval

Shareholders of Jos Holdings, the general trust which is managed by Kleinwort Benson Investment Management, yesterday approved its restructuring into a split capital investment trust.

Under the new structure, each 1,000 ordinary shares will be replaced with 699 shares in each of the three classes of capital – zero dividend preference shares, income shares and capital shares.

Shareholders will receive one share of each new class for every 250p of net assets attributable to their ordinary shares.

Castle Mill losses up to £948,000

Castle Mill International, the textile and clothing designer, recorded a pre-tax loss of £948,000, against £913,000, for the six months to June 30.

The outcome included a deficit of £787,000 (£529,000) from discontinued businesses; losses on continuing activities were reduced from £384,000 to £161,000.

Overall turnover fell to £3.75m (£4.07m) with continuing activities contributing £2.65m (£2.32m).

Losses per share were 7.13p (5.82p).

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading: Pool purchase price £/MWh	Final Prices for Trading: Pool purchase price £/MWh	Pool selling price £/MWh
0030	20.32	17.70	17.70
0100	23.44	17.70	17.70
0130	[illegible]	17.70	17.70
0200	[illegible]	17.70	17.70
0230	23.44	17.70	17.70
0300	20.35	17.70	17.70
0330	20.32	17.70	17.70
0400	18.18	17.70	17.70
0430	17.73	17.70	17.70
0500	17.73	17.70	17.70
0530	17.72	17.70	17.70
0600	17.72	[illegible]	[illegible]
0630	20.37	[illegible]	[illegible]
0700	20.57	21.25	21.25
0730	22.85	24.23	27.17
0800	23.11	25.84	[illegible]
0830	23.14	26.13	29.04
0900	[illegible]	26.13	29.02
0930	25.44	[illegible]	29.02
1000	25.44	28.00	30.92
1030	25.41	28.00	30.91
1100	24.66	28.13	[illegible]
1130	24.67	28.00	30.90
1200	23.16	28.00	30.90
1230	24.69	28.00	30.90
1300	23.18	28.03	28.90
1330	23.11	28.00	28.83
1400	20.81	25.86	28.34
1430	20.54	24.60	27.34
1500	20.64	24.23	[illegible]
1530	20.84	24.23	27.97
1600	20.84	[illegible]	27.96
1630	21.19	24.23	[illegible]
1700	[illegible]	24.23	[illegible]
1730	28.31	24.43	27.27
1800	33.44	24.45	27.27
1830	29.70	24.96	29.85
1900	25.32	28.02	30.92
1930	24.69	28.02	30.91
2000	24.79	28.02	30.95
2030	22.35	26.96	29.67
2100	22.35	24.23	27.10
2130	22.82	22.93	25.76
2200	21.90	22.62	25.46
2230	21.52	22.27	25.13
2300	20.35	21.67	24.51
2330	20.32	21.26	24.10
2400	17.71	20.27	[illegible]

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456788 between 9.30am and 5.15pm Monday to Friday.

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COMPANY NEWS: UK

Thrifty move clips Heron's wings

Roland Rudd looks into the background of the declining fortunes of Gerald Ronson

AS the man once lionised as "the finest businessman of his generation", *Mr Gerald Ronson, must* have yesterday been asking himself what had gone wrong. *To avoid liquidation he is proposing* to give up all but 5 per cent of Heron International, the private company he founded 27 years ago.

In the year ending March 1990, Heron, the second-largest private company in the UK after Littlewoods, with 2,000 employees worldwide, made *pre-tax profits of* £65.3m. According to unaudited figures sent to bondholders, for March 1992 it made a pre-tax loss of £217m. This prompted it to enter into negotiations with its bondholders and bankers *which resulted in yesterday's* restructuring proposals.

Heron includes Heron Homes, petrol stations, motor dealerships and the sole Suzuki distributorship in the UK. In America, Heron has extensive property interests and once owned the troubled Pima savings and loan institution in Arizona. There was no shortage of Heron bankers willing to give their views on the private company's fall from grace.

"In the go-go eighties Ronson was driven by a desire to do the next deal. Some of them were great deals. But, with hindsight, too many of them were in sectors which were to be hammered by the prolonged recession of the nineties."

Another banker opined: "Three of Heron's main activities – property, housebuilding and luxury car sales – were pulverised by the recession."

It would be difficult to disagree with any of these explanations. However, according to one of Heron's financial advisers, the reason for Heron's downfall was more prosaic.

Heron made its big mistake *when it moved across the* Atlantic into the booming American thrift business – the equivalent of British building societies – by buying Pima.

By 1984 Pima was claimed to be the fastest-growing financial institution in its home state of Arizona. Pima looked at one time as if it would prove to be one of Mr Ronson's biggest successes.

"Unfortunately," said the Heron adviser, "it turned out to be one of its biggest failures and the engine of the group's downfall."

By 1989 the thrift industry had expanded into collapse as over-optimistic borrowers got into difficulties and Pima was costing Heron some £40m a year. It was also the business to which Guinness paid much of the £5.8m for Heron's support in the Distillers bid. Heron returned the money.

Gerald Ronson (right) and his wife Gail: *determined to lead Heron out of its crisis*

If it had not been for Pima, Heron's financial advisers believe it would have probably ridden out the property slump and Mr Ronson would be able to keep 100 per cent *control of Heron, in spite of its* total debts of £1.4bn.

Earlier in the year Mr Ronson was aware of the extensive restructuring needed to save his company. He suggested various options, including the splitting of bondholders' debt into interest-bearing and non-interest bearing portions, along with a maturity extension and the rescheduling of the bankers' debt.

It was not until KPMG Peat Marwick's circular to Heron's *82 creditor banks in June, that* Mr Ronson accepted the need for a debt-to-equity swap. The accountants said Heron was "technically insolvent" last March on the basis of an asset review prepared by valuers Debenham Tewson & Chinnocks.

The recent devaluation of sterling only underlined Heron's problems – most of its borrowings are in foreign-denominated currencies. Last month Mr Ronson finally agreed to dilute the 100 *per cent stake (15 per cent he* held personally, 40 per cent held by Ronson family trusts and 45 per cent held by three *Ronson charitable foundations)* to just 5 per cent.

Friends say Mr Ronson's *experience of Ford open prison,* where he served six months for his part in the Guinness scandal, has left him more determined than ever to lead Heron out of its present crisis.

Although his wife Gail plans to resign from Heron's board she is expected to continue to advise Mr Ronson over the restructuring of the company.

ICI suffers downturn in third quarter

By Paul Abrahams

TURNOVER THROUGHOUT Imperial Chemical Industries's divisions – except regional businesses – fell during the third *quarter, according to the results revealed* yesterday.

And the regional operations' profits remained static at £1m.

Even the theoretically counter-cyclical operations allocated to ICI Bioscience – pharmaceuticals, agrochemicals and specialities – suffered a downturn.

The pharmaceuticals division endured a 4 per cent fall in sales from *£409m to £393m, while operating profits also* dropped from £147m to £146m. Such a result is highly unusual in the pharmaceuticals industry.

Sir Denys Henderson, chairman, said trading was affected by the dollar's weakness and the effects of US generic competition to Tenormin, its best-selling heart drug, whose American patents expired in September last year.

Mr Colin Short, finance director, said underlying growth of the pharmaceuticals business was about 3 per cent during the first nine months and about 4 per cent during the last quarter.

Tenormin has 54 per cent of the US market, while ICI's generic version of the product commanded 16 per cent, Mr Short said. Tenormin, *the world's fifth largest-selling drug last year,* was one of the largest US patent expiries in recent years after *aggressive targeting by the generics companies.*

Its sales fell faster than expected. Mr Short said the company was unable to increase prices – a classic strategy to compensate for volume falls when patents expired – because of political hostility to drug price inflation. The generics' rate of penetration was slowing, he added.

Tenormin's decline was partly offset by *the growth of newer products. Sales of* Zestril, a heart drug, increased by 29 per cent to well over £250m, said Mr Short. Zoladex, a cancer treatment, increased 57 per cent to more than £100m, while sales of Diprivan, an anaesthetic, grew 28 per cent, to more than £100m. The pharmaceuticals division benefited from the £10m disposal of its pre-natal vitamin business.

Agrochemical and seed turnover fell *from £243 to £252m, in what tends to be a* slow quarter. The business incurred a loss of £2m compared with a £1m profit during the same period last year. Sir Denys said that intense competition in the US herbicide market and concerns about the restructuring of the Common Agricultural Policy in Europe contributed to a decline in profitability.

Sales of specialities fell from £311m to £290m, while profits fell from £5m to nothing. *During the nine months, Sir Denys* said benefits from cost reduction programmes in the specialities and materials divisions was offset by reduced volumes and lower prices.

In what remains in the new ICI, materials generated turnover of £419m (£513m) and a loss of £27m (£14m loss). Paints's turnover fell from £434m to £394m, while operating profits dropped from £42m to £33m. *Explosives's revenues sagged from* £141m to £132m and its trading profits from £15m to £9m.

The massive industrial chemicals business fell into a loss of £1m from a £42m profit during the same period last year. Turnover fell from £3.07bn to £2.77bn. Sir Denys said *chemicals* and polymers continued to suffer falling prices and weak volumes. Tioxide's results for the first nine months remained static compared with last year.

Regional business turnover fell from £315m to £284m, while profits remained static at £1m. In the first nine months they made a trading loss of £18m (£4m profit).

Haemocell launches £6m rights

By Angus Foster

HAEMOCELL, which has seen its shares more than double this month following US approval for its blood filtering device, yesterday announced a 1-for-4 rights issue at 150p to raise £6.1m.

The rights were priced last week at a 30 per cent discount. *But the shares had risen to a*n opening price of 224p yesterday on enthusiasm about the prospects for the device. They closed at 249p.

Before approval for the device from the US Food and Drug Administration, they traded at 95p.

The proceeds will be used to reduce *borrowings of* £?m, upgrade manufacturing equipment and for working capital.

Directors Mr Trevor Wilson and Mr Philip Martin have renounced their rights. Mr Wilson has also placed ?0,000 shares with UK institutions and, following the rights, his stake will fall to 11.1 per cent while Mr Martin will hold 14 per cent.

They have been restrained from selling since the company joined the USM. The company also wanted to increase its institutional shareholders, *who will hold* more than 40 per cent after the rights.

Mr Andrew Pritley, chairman, said the new money would allow the company to improve facilities and develop new uses for the technology.

Rebel shareholder renews assault on Etonbrook

By Peggy Hollinger

MR ANDREW PERLOFF, the rebel shareholder in Etonbrook, the property developer, yesterday launched his second *attempt in less than six* months to take his holding to just under 30 per cent.

The property entrepreneur announced a tender offer for 10.86 per cent of Etonbrook shares at 73p each, valuing the company at £2.8m. Mr Perloff and the three companies acting with him hold 19.13 per cent of Etonbrook.

The action leaves little doubt among Etonbrook's manage*ment that Mr Perloff is seeking* control of the company without launching a full bid.

"It is a further attempt in the saga ... of trying to get control at a cheap and cheeky price," said Mr Keith Moss, managing director. The offer was too low against a net asset value of 117p, he said.

Twice before – in the cases of Multitrust and the Children's Medical Investment *Trust – Mr Perloff has built* stakes of just under 30 per cent in quoted companies before making an offer.

Although Mr Perloff has twice failed to win a seat on the Etonbrook board, he has managed to thwart plans for a capital restructuring. This would have allowed Etonbrook to repay its £1.19m preference shares. One of Etonbrook's attractions is likely to be its cash balance of £2m.

The preference holder, Palmerston Investment Trust, is Etonbrook's second largest shareholder with 12 per cent. It said that it had no intention of accepting the tender offer.

ICI

1992 Nine Months Results

Summary

ICI Group profit *before tax in the first nine months* of 1992 was *£513m*, a decline of £190m over the same period of 1991.

	Third Quarter 1991	Third Quarter 1992	Nine Months 1991	Nine Months 1992
Turnover	£3,074m	£2,768m	£9,442m	£8,913m
Profit before Taxation	£196m	£93m	£703m	£513m
Earnings per £1 Ordinary Share	17.9p	5.3p	64.5p	45.2p

A summarised Group profit and loss account is given in the second table below.

Chairman's Comments

Announcing the results, Sir Denys Henderson, Chairman of ICI, commented: —

"Along with many of the major international chemical companies, we were adversely affected by the world-wide, persistent recession. The disappointing results reflect the fact that demand during the third quarter was particulary poor. The markets for materials and industrial chemicals particularly across Europe were weak and prices were under considerable pressure. These difficult trading conditions, combined with an over-valued pound, resulted in a sharp fall in ICI's pre-tax profits.

I said at the half year that the future world economic scene would be very uncertain. That uncertainty will continue until confidence in growth prospects is re-established. There is little expectation of improvement in trading conditions in the near term, *although the recent realignment of the sterling exchange rate to more competitive levels* should help in overseas markets.

Our priorities remain to contain costs and to maintain a strong balance sheet as *restructuring activities continue apace. That will be helped by the approval recently* given by the European Commission to the fibres/acrylics transactions with Du Pont. Benefits from the Group reshaping programme are in line with our expectations.

Work is proceeding on track on the proposals for the demerger of our Bioscience business."

Nine Months

Group turnover in the first nine months was 6% lower than in the same period of 1991 due to the net effect of divestments (-3%), reduced volumes (-1%), adverse *exchange movements (-1%) and lower local selling prices (-1%, mainly in Europe).*

Bioscience Products trading profit declined by £56m to £479m due entirely to Agrochemicals and Seeds. Intense competition in the United States in herbicides and *concerns about the restructuring of the Common Agricultural Policy in Europe have* contributed to its profit decline. In Pharmaceuticals, profits have increased reflecting the continued strong performance of the newer products and disposal gains. With the *exception of 'Tenormin', all major products enjoyed higher volume levels.*

Trading profit in Specialty Chemicals and Materials at £141m was £23m below 1991 as the benefits arising from cost reduction programmes have been offset by reduced *volumes and lower prices. Paints underlying performance remained strong as the prior* year's results included a disposal gain.

In Industrial Chemicals, trading profit declined by £97m to £40m due almost entirely to reduced selling prices and lower volumes in Chemicals & Polymers. Tioxide's results were similar to 1991.

Trading profit in Regional Businesses decreased from a profit of £4m in 1991 to a loss of £18m this year. The deterioration reflects the continuing recession in many countries and the write-down of the Australian Ephedrine plant in the second quarter. Income from associated companies declined due to reduced disposal gains.

Overall, disposal gains in the two periods were similar.

Quarterly Information

	Profit Before Tax 1991 £m	Profit Before Tax 1992 £m	Earnings per £1 Ordinary Share 1991 pence	Earnings per £1 Ordinary Share 1992 pence
First Quarter	198	212	17.3	20.3
Second Quarter	309	208	29.3	19.6
Third Quarter	196	93	17.9	5.3
Fourth Quarter	140		11.9	
Year	843		76.4	

Third Quarter

Group turnover in the quarter was 10% below 1991 due to adverse exchange movements, which accounted for 6% of the decline and lower volumes (-2%), mainly in the UK and USA.

Pharmaceuticals trading profits which were similar to last year were affected by a weak US dollar and the effect of generic competition to 'Tenormin', offset by growth in the newer products and a small disposal gain. Unfavourable exchange rates resulted in Agrochemical and Seeds trading profit being £3m below last year's level.

Specialty Chemicals and Materials results were below 1991 due primarily to poor trading conditions. In Industrial Chemicals, Chemicals & Polymers continued to suffer from falling prices and weak volumes.

Earnings of associates have declined as the prior year results included a gain on the disposal of ICI's investment in Ellis & Everard plc.

Taxation

The tax charge for the first nine months amounted to £179m (first nine months of 1991 £239m), representing an effective rate of 35%, and comprised UK corporation tax of £20m (1991 £47m) and taxation in respect of overseas and associated companies of £159m (1991 £192m).

Group Profit and Loss Account

The unaudited trading results of the Group for the third quarter and first nine months of 1992, together with comparative figures for 1991, are as follows:

Third Quarter 1991 £m	Third Quarter 1992 £m		First Nine Months 1991 £m	First Nine Months 1992 £m
3,074	2,768	Turnover	9,442	8,913
238	162	Trading profit	840	651
144	141	After providing for: Depreciation	405	441
16	−17	Income from associated companies	34	14
−58	−52	Net interest payable	−171	−152
196	93	Profit before Taxation	703	513
−63	−45	Taxation	−239	−179
133	48	Profit after Taxation	464	334
−6	−9	Attributable to minorities	−7	−11
127	39	Net profit	457	323
17.9p	5.3p	Earnings per £1 Ordinary Share	64.5p	45.2p

Full statutory accounts for the year 1991, together with an unqualified audit report, have been lodged with the Registrar of Companies.

Next Anouncement

Trading results for the year 1992 will be announced on Thursday 25 February 1993.

IMPERIAL CHEMICAL INDUSTRIES PLC

JOBS: Study of world li[ving] costs by European Commission shows effects of the plunge in sterling

What a difference three months makes

WHICH kind of British export has risen in price as a result of the United Kingdom's devalu... (sorry) withdrawal from the exchange rate mechanism?

The answer, of course, is the two-legged variety – expatriate British workers, especially when of executive status. And today the Jobs column can give an idea of how much the cost of same has shot up, at least to employers who don't require the far-flung Brits themselves to bear the brunt of exchange-rate changes.

A touch ironically, the cost indicators which are set out in the accompanying table originate with the European Commission. Having staff of its own scattered about the globe, the EC compiles data on world-wide living costs through the Eurostat directorate at its Brussels headquarters.

Hitherto the results have been kept for official use. But, perhaps feeling the budgetary pinch, the commission has now decided to put its data on the market. It is doing so in the UK through the International Employer branch of the Sedgwick Consulting Group, and anyone wanting details of the service should contact Richard Hume-Rothery at Winterton House, Nixey Close, Slough, Berks SL1 1NG; telephone 53 516151, fax 0753 516190.

Whereas the full survey co[vers] 117 cities, my extracts are lim[ited] to 22 (not counting Lond[on] which, although missing from [the] list, is present in spirit becau[se] the living-cost indices are bas[ed] on London prices at 100.) F[or] each city, the table starts wit[h] the exchange rates prevailing first in July then at the close of markets last Friday, and goes on to show the indices at each date and the change between them in terms of percentage points.

Another limitation is that, as is usual in such surveys, no account is taken of housing costs which are very hard to measure in an internationally consistent way. Nevertheless – as might be expected, given that the EC has been called "the bureaucrat's bureaucracy" – even the limited information here supplied is more detailed than the normal type of living-cost indicators.

Those I've printed previously consist of a single index figure, representing the local price of a "basket" of goods and services bought by a typical executive family sent to work there. By contrast, the EC prices three different baskets for each place.

The first, the "home country pattern" denotes the buying habits of pukka expatriates who insist on preserving the same style of life they led before going abroad. The next, the "host country pattern", represents the typical style of executives who're natives of the place concerned. The third is the "intermediate pattern" of the expatriates who change to the local style in some ways while maintaining their homeland habits in others.

Which of the three patterns is adopted can make an appreciable difference to an employer sending people to work abroad. Take for example a British executive on a gross salary of £50,000 in the UK who is being transferred along with spouse and two children to a job in Geneva.

With the local index for the home country pattern now 175.8, I'm told the extra pay needed to preserve their UK style of life would be £15,960 a year. While that could be cut to an additional £9,660 by forcing the family to go totally native on an index of 145.8, the EC feels it would be fairer to compromise on the 160.1 figure and an extra £12,600.

But quite apart from such individual instances, the cost changes brought about by the plunge of sterling surely make arresting reading in their own right. Measured by the index-point differences since July in the intermediate pattern – on which the table is ranked – Buenos Aires, Amsterdam, Hong Kong and Dublin have all become dearer than London, whose place in the two-tier Europe seems no longer to be in any doubt.

Indeed, of the EC capitals listed, Athens is nowadays the only one cheaper.

Michael Dixon

City	Exchange rate (£1 =)		Home country pattern			Host country pattern			Intermediate pattern		
	July	Oct 23	July	Oct 23	Change	July	Oct 23	Change	July	Oct 23	Change
Tokyo	244.62	196.80	202.0	251.1	+49.1	136.1	169.2	+33.1	165.8	206.1	+40.3
Moscow*	1.92	1.61	140.7	167.3	+26.6	98.2	116.8	+18.6	117.5	139.8	+22.3
Geneva	2.54	2.20	152.4	175.8	+23.4	126.4	145.8	+19.4	138.8	160.1	+21.3
Copenhagen	10.95	9.50	144.0	166.0	+22.0	127.3	146.8	+19.5	135.4	156.1	+20.7
New York	1.92	1.61	116.8	138.9	+22.1	95.2	113.2	+18.0	105.4	125.4	+20.0
Tel Aviv	4.66	3.97	124.5	146.1	+21.6	90.8	106.5	+15.7	106.3	124.7	+18.4
Buenos Aires	1.90	1.60	128.2	152.0	+23.8	76.7	90.9	+14.2	99.2	117.5	+18.3
Hong Kong	14.84	12.51	110.5	131.0	+20.5	76.7	91.0	+14.3	92.0	109.2	+17.2
Stockholm	10.33	9.30	167.0	185.4	+18.4	143.0	158.8	+15.8	154.5	171.6	+17.1
Brussels	58.65	50.90	114.0	131.3	+17.3	101.3	116.7	+15.4	107.4	123.8	+16.4
Bonn	2.85	2.47	109.2	125.9	+16.7	100.1	115.3	+15.2	104.5	120.5	+16.0
Paris	9.61	8.37	111.4	127.9	+16.5	101.9	117.0	+15.1	106.5	122.4	+15.9
[J]akarta	3,932.48	3,318.50	110.4	130.8	+20.4	62.3	73.8	+11.5	82.9	98.3	+15.4
[A]msterdam	3.21	2.78	98.8	114.0	+15.2	95.7	110.4	+14.7	97.3	112.3	+15.0
[D]ublin	1.07	0.94	97.3	110.8	+13.5	90.2	102.7	+12.5	93.7	106.7	+13.0
[Li]sbon	241.58	221.50	124.8	136.1	+11.3	84.8	92.4	+ 7.6	102.9	112.2	+ 9.3
[At]hens	349.85	318.58	104.0	114.2	+10.2	78.5	86.3	+ 7.8	90.4	99.3	+ 8.9
[Nai]robi	62.28	55.10	85.1	96.1	+11.0	46.9	52.9	+ 6.0	63.2	71.4	+ 8.2
P[ra]gue	52.91	45.20	68.6	80.3	+11.7	27.8	32.4	+ 4.6	43.6	51.1	+ 7.5
C[ap]e Town	7.56	7.03	69.2	74.3	+ 5.1	48.1	51.7	+ 3.6	57.7	62.0	+ 4.3
M[ad]rid	180.94	176.80	116.9	119.6	+ 2.7	96.6	98.9	+ 2.3	106.3	108.7	+ 2.4
R[ome]	2,153.52	2,164.00	118.6	118.1	− 0.5	98.0	97.5	− 0.5	107.8	107.3	− 0.5

· Ind[ices] based on London prices = 100 *Moscow calculated at US$ exchange-rate as most local shopping has to be done in hard currency

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ACCOUNTANCY COLUMN

BCCI conclusions leave audit questions unanswered

Andrew Jack examines the lessons to be drawn in the light of the Bingham and Kerry reports

IF THERE is one thing which unites the contents of the two reports published this month into the collapsed Bank of Credit and Commerce International, it is their lack of completeness. Nowhere is that more the case than on the role of the auditors.

The two reports could not be more different. The US Senate sub-committee investigation into BCCI, chaired by John Kerry, offers little not previously reported, and is written in highly inflammatory terms. Some of its conclusions based on the evidence presented are extremely tenuous.

Overall, it appears to be soft on those who co-operated with the inquiry and sympathetic to their views, while being fiercely critical of those – such as the Bank of England and Price Waterhouse – which refused to help for whatever reason.

For example, much of the chapter on BCCI's accountants bemoans the lack of help offered by Price Waterhouse in London – in contrast to the greater co-operation from the US firm, which said it was party to very little information on the bank.

PW in London did not appear before the committee, principally because it is required to maintain confidentiality under UK banking laws. It did offer to meet Kerry's staff in the UK, but apparently Senate rules prevented anyone from travelling abroad. The report's conclusions are correspondingly side-tracked to concentrate on how to force improved disclosure by international accountancy firms to US regulators and investigators.

By contrast, one section uncritically refers to the role of Mr Masihur Rahman, BCCI's chief financial officer in London. In testimony to the Kerry committee, he said he did not have access to any of the underlying loan information and related files at BCCI's field offices, and therefore relied on the work of the external auditors to review its records and ensure their truth and accuracy.

That says more about the nature of lines of internal control and responsibility within the bank than it does about the role of the auditors. That auditors' responsibilities should be extended is certainly open to debate; that they should know more than the internal management of the company on which they are reporting seems at the very least bizarre.

These very issues are raised by the Institute of Internal Auditors in the UK this week, which called for tougher, more independent internal audit controls in response to BCCI.

Kerry's report provides tantalising information for those attempting to understand the roles of Price Waterhouse and Ernst & Whinney in the audit of BCCI, if only by virtue of its kitchen-sink approach: it is 780 pages long. The result is unfocused and highly fragmentary, but it does include a number of extracts from auditors' internal working papers not before publicly disclosed.

They highlight a series of concerns being raised by PW at least as far back as 1983, including a high concentration of risk in substantial loans to clients' no documentation to support security against loans, and inadequate information on both the nature of the loans and the credit-worthiness and identity of the borrowers. Kerry claims that these comments led to little reform by BCCI's management.

Mr Graham Stacy, the technical partner at Price Waterhouse now co-ordinating the firm's BCCI work, indignantly dismisses the significance of these details. "Of course we knew there were weaknesses. They are found in many banks. It is irresponsible to take a few documents and try to reconstruct the audit from them. We are still absolutely satisfied that we issued proper audit reports."

Readers might expect to find a more sober and informed assessment in the report by Lord Justice Bingham, given the less overtly political operation of the inquiry and its far greater access to documents and individuals.

Those looking for comprehensiveness in the Bingham report will still be disappointed. That is not a reflection on the conduct of the inquiry so much as on its limited terms, which were to examine the supervision of BCCI. That meant focusing primarily on the Bank of England, with less emphasis on the auditors.

There are certainly some thought-provoking conclusions for auditors. Bingham suggests that use of a single well-qualified audit firm for a complex international banking group would normally be best; that existing professional guidelines need to be tightened with legislation requiring auditors detecting fraud to notify the supervisory bodies of regulated industries; and that there is no difficulty over the existing guidelines on conflicts of interest when appointing the auditor as investigator.

One of the most significant passages in Bingham focuses on the vexed question of whether the 1989 BCCI audit report should have been qualified. He says the Bank of England and the Institut Monetaire Luxembourgeois – the Luxembourg bank supervisors – wanted the accounts to be published "with an unqualified opinion as soon as possible". The regulators were keen for the firm to remain as auditors. There was concern that resignation or a qualified opinion would inevitably cause the bank to collapse.

PW, says Bingham, believed the accounts did show a true and fair view and that BCCI would be a going concern with a $400m subscription of shares by the government of Abu Dhabi and a series of assurances about management improvements.

Mr Stacy adds that the majority shareholder's knowledge of the position of the bank far exceeded the information shown in the accounts, and was a factor in preparing the unqualified audit opinion.

Bingham says the the firm made reference to this capital injection in a footnote to the accounts, and drafted an audit opinion which the accounts had been drawn up on the basis described in the note. The next paragraph began: "On this basis the consolidated accounts give a true and fair view . . ." Under pressure from BCCI management, "on this basis" was changed to "in our opinion".

Bingham says the picture "was in reality even worse" than that painted by the accounts. He says it seems "undesirable" that ordinary readers of accounts should not have had known of information such as the continuing uncertainty of some of the major BCCI loans, and that the adverse consequences of disclosure cannot be a reason for not making it. Yet he is unconvinced that existing principles and practice cover the situation of BCCI, and concludes: "I rather doubt if other auditors, similarly placed, would have acted very differently".

Bingham's comment is not repeated in the conclusion to the report. Instead, he raises the wider question of whether an auditor should report and owe a duty directly to depositors.

He argues that such a duty would would not necessarily make auditors more diligent. But he hints that while BCCI does not provide him with the material to recommend any change, there may be a case for it, which would allow compensation to depositors who have lost money as a result of carelessness.

This is intriguing given he was one of the House of Lords judges in the Caparo case in 1990, which ruled that an auditor's responsibilities are limited to a client company and to the whole body of shareholders.

He does not directly address how greater information should be provided to ordinary readers of accounts. Nor does he discuss whether there is a tension or conflict of interest between audit guidelines and the demands of bank regulators in the preparation of audit opinions.

It will be several years before the BCCI legal action gets to court, if it gets that far. Meanwhile, there is certainly a case for re-addressing whether auditors' responsibilities should extend beyond those laid down in Caparo, and the extent to which bank audit guidelines should be revised.

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

Cusiana biggest BP field since 1970s

By Sarita Kendal in Bogota

BRITISH Petroleum, the UK oil company, announced yesterday that reserves in Colombias's Cusiana field are estimated at 1.5bn barrels.

This confirmed it as the biggest field BP has discovered since the North Sea Forties and *Prudhoe Bay*, Alaska, fields in the early 1970s.

It accompanied its long-awaited announcement with news of a second discovery north of Cusiana at Cupiagua, with estimated reserves about one-third the size of the Cusiana field. However, only one well has been drilled so far.

"It is difficult to be clear about the size of the field," said Mr David Harding, chief executive of BP Colombia. Four more wells are planned over next year.

Ecopetrol, the Colombian oil company, put reserves for Cusiana at a slightly more conservative 1.3bn barrels, but a final figure will only be available in early 1993, once appraisal wells are completed and tested. Many experts believe the field could be as large as 2bn barrels or more.

Cusiana and Cupiagua lie in the foothills of the eastern range of the Andes mountains, and the geological trend may *continue yet further north into* another block where the Pauto-2 exploration well is now being drilled. While BP (15.2 per cent), Total (15.2 per cent) and Triton (9.6 per cent) are partners in the Cusiana and Cupiagua fields, BP is the only contractor of the northernmost block.

Drilling in the Andean foothills is complicated and expensive, with the oil between 12,000 and 15,000 ft down and wells costing some US$24m each. However, Mr Harding said the cost was dropping as BP acquired experience in the area. *US$200m has been* invested in exploration this year and another $200m is planned for 1993.

Analysts estimate development costs for the Cusiana field at between $2 and $3 a barrel, with lifting and operating costs about $2 a barrel, and pipeline charges also $2 a barrel. The tax regime is said to be *less stringent* than that in the UK North Sea.

The president of Ecopetrol, Mr Juan Rendon, said he expected Cusiana to be declared commercial in May 1993. Ecopetrol would then take up its 50 per cent share and development would begin.

The field should produce 50,000 barrels a day in 1994, rising to about 150,000 bpd by the end of 1995.

Although Cusiana also has considerable gas reserves – estimated at between 2,000bn and 3,000bn cubic feet - the gas will initially be reinjected to maximise crude production.

BP has constructed a 1.5km spur from Cusiana to the Central Llanos oil pipeline across the eastern mountains, which is to be upgraded. From there, oil will flow into another existing pipeline to the port of Coveñas.

Colombian guerrilla groups have been particularly aggressive in recent months, dynamiting pipelines and other oil installations. However, Mr Harding said guerrilla activity had had "no significant effect" on work at Cusiana.

Colombia produces about 470,000 b/d and exports about 250,000 b/d of crude and fuel oil. The Cusiana find will more than offset the future fall in reserves at Cano Limon, allowing Colombia to export over half of its crude production from 1994.

Ecuador maps out its future path

Ray Colitt on the government's moves to boost reserves and exports

WITH AN aggressive agenda to revitalise Ecuador's oil industry, the new reform-minded government of president Sixto Durán Ballén is seeking to boost its petrol production and increase its oil reserves over the next few years. Also, with the aid of foreign investors, Ecuador is seeking to secure its status as an oil exporting *country* into the next millennium.

Behind Ecuador's recent announcement to abandon *membership of the Organisation* of Petroleum Exporting Countries by next year lies, above all, its intention to increase its petrol production beyond the current limit of 273,000 barrels imposed by Opec. Already Ecuador's daily production hovers around 320,000 barrels, of which about 200,000 barrels are destined for the export market. The country is seeking to increase its production to 470,000 b/d in 1993 and to 576,000 b/d by 1996.

"We have nothing against Opec, but we need more freedom in our production, at least for the next four years," declared Mr Andreś Barreiro, the minister of energy and mining.

Pressure to increase oil production mounted steadily as the country's oil revenues threatened to fall short of the projections for this year. The 1992 *fiscal budget was calculated* at an estimated price of US$17 a barrel for the national crude oil "Oriente". In fact, the *price in the first eight months* averaged US$16.28 a barrel. With the already increased production, then, Petroecuador exported in the first six *months of this year 32.3m* barrels of crude oil, worth US$527.8m.

Petroecuador has long-term *contracts for the sale of 210,000* b/d of crude. Also, it has two contracts to sell 12,000 barrels of petrol to Clarendon and Tricentrol, each lasting one year.

Ecuadorian Oil Production

	Barrels a day	Proportion of Opec output
1988	315,000	1.60%
1989	300,000	1.38%
1990	290,000	1.26%
1991	285,000	1.22%
1992*	293,000	1.26%

*First quarter.
Source: Kleinwort Benson Securities.

In an effort to maintain the country's oil reserves, which currently amount to 1.46bn barrels, Ecuador is planning to explore new fields in its mineral-rich Amazon region. The reserves have not been augmented for many years. Mr Barreiro criticised the former government of not having secured "one single contract for exploration, as a result of which the reserves did not increase, but actually were depleted year by year". He added that if Ecuador did not increase its oil reserves now, the country would have to begin importing petrol in 10 to *12 years.*

The proposal to increase the country's production and oil reserves follows a study by the *US* government's General Accounting Office, which predicted a steady decline in crude oil production over the next years. The study also suggested an annual investment of US$150m into the national petrol industry.

For that reason the government is seeking to attract foreign investors. International bidding for contracts to explore oil fields, scheduled for next year, has already attracted the interest of companies from the UK, France, the US, Italy and Indonesia.

Officials here anticipate that the areas offered to foreign companies for exploration, *each covering about 200,000* hectares (500,000 acres), will be near the current oil wells of Lago Agrio, about 180 km (110 *miles) north-east of Quito. Foreign* and national capital are to be subject to the same regulations. Says Mr Barreiro: "All companies that partake in the bidding will have the same rights. Nobody, including Petroecuador, will have advantages to certain areas". He added that all companies showing interest were seeking to produce as well as explore.

Ecuador's forward-looking oil policy may well be a result of lessons learnt from the experiences of its northern neighbour. As domestic demand for petrol in Colombia rose above its production capacity, the country ceased to be an oil exporter and became an importer. A series of investments and contracted aid *reversed that trend and in 1986* Colombia once again began exporting oil.

Ecuador's plan to abandon *Opec membership and boost* production has been greeted with considerable domestic scepticism, however. According to Mr Raúl Jaramillo, former director of Cepe, the previously joint private-public oil corporation, Ecuador will not *be able to double its* production in three years. "The country lacks sufficient investors to enable the necessary exploitation of the oil fields," he commented. Mr René Ortiz, former secretary general of Opec, adds that the industry's infrastructure is insufficient for the planned increase in output. He points out that, in the middle and long term, production *could be increased just enough* to offset the decreasing output from the ageing oil wells currently being exploited. As a *result, says Mr Ortiz, future* production is likely to average about 300,000 b/d, plus or minus 10 per cent.

In the past six years several foreign companies, including British Gas, Esso Hispanoil, Belco II, *Texaco* Pecten and Petrocanada have left Ecuador because they were unsuccessful in finding crude oil.

Yet the present government is not only seeking to increase its oil reserves, but also to cut costs and make current production more efficient. According to Mr Barreira, the huge state-owned corporation Petroecuador has serious personnel and management problems. "Ever since the consortium of Petroecuador and *Texaco was fully turned over* to the state, the situation has worsened – although the technicians remain the same," the *minister complained. He* proposed to the president that Petroecuador be totally restructured.

Estimate of world grain production increased

By Richard Mooney

THE INTERNATIONAL Wheat Council has increased its estimate of world wheat and coarse grain production in 1992-93, largely reflecting improved US crop prospects.

In the latest issue of its Grain Market Report, the London-based agency puts 1992-93 wheat production at 550m tonnes, up from the 546m tonnes forecast in its October 1 report and 544m tonnes in the 1991-92 season. The coarse grains harvest is estimated at 836m tonnes, compared with 828m projected on October 1 and 799m tonnes in 1991-92.

"Better crops in the United States, China, Kazakhstan, Canada, the EEC and Australia contributed to the [wheat crop] increase," the IWC says. The US crop is now put at 66.7m tonnes, up by 1.2m tonnes from the previous report and 12.8m tonnes from 1991-92. China's crop estimate is raised by 1.5m tonnes to 99m tonnes, compared with 96m tonnes in 1991-92, helped by "favourable weather in major growing regions" and "a significant increase in acreage in the provinces of Liaoning and Jilin in the north-east".

The former Soviet Union's wheat estimate is raised by 1m tonnes to 89.6m tonnes, up strongly from 1991-92's exceptionally low 73.5m tonnes.

The IWC attributes the 8m-tonne increase in its world *coarse grains estimate mainly* to "a further rise in the figure for the United States, where the maize crop could set a new record of 237m tonnes". *It also* expects better results from former Soviet republics, India, South Africa and Australia to be *only partly offset* by smaller outturns in western and eastern Europe and China.

● The Russian grain crop has reached 107m tonnes, but early cold weather means the harvest has not yet been completed and crops from 700,000 hectares have not been brought in, Itar-Tass news agency said, reports Reuter from Moscow.

"Almost 107m tonnes of Russian grain has been threshed," the agency said. But it added that state purchases of 23.1m tonnes were 6m tonnes less than required.

Tass did not say if the latest *figure was bunker weight or* net weight after cleaning and drying.

Last week the state statistics office said *Russia's 1992* grain harvest was virtually complete at about 104m tonnes, bunker weight.

Lac de Gras diamond project forecast to have global impact

***By Kenneth Gooding,* Mining Correspondent**

THE LAC de Gras area in Canada's Northwest Territories will be developed into a diamond producer rivalling Botswana, the world's biggest producer of gem diamonds in value terms, according to the Credit Lyonnais Laing financial services group.

The area – or camp – as a whole might have the potential to add 20 per cent to total world rough (uncut) diamonds production and one third to world gem diamonds output, says analyst Mr Roger Chaplin in a special study of the Lac de Gras phenomenon, which has seen 40,000 square km (16,000 square miles) staked in the biggest rush for land seen in North America.

Mr Chaplin suggests that the first diamond-containing kimberlite pipe drilled in the area – called the Point Lake pipe – is "giving world-class results and we estimate a value of approximately C$2bn for this pipe alone.

"There are many more pipes to be found, some of which are likely to exceed the Point Lake pipe in size and grade," he adds.

The study estimates that the Point Lake pipe may have reserves of more than 105m carats of diamonds and says a conservative estimate of production would be about 3.5m carats a year, possibly expanding to 7m carats in time. "These reserves would have a gross *in-situ* value of about US$9bn and could generate revenues of at least $300m a year, growing to about $600m."

Mr Chaplin points out: "This is equivalent to a gold mine producing 800,000 to 1.7m ounces of gold a year – but far more profitable. To put the size of the potential mine into perspective in the diamond industry, there are only five diamond mines in the world which produce at more than 3m carats a year and between them these major operations account for about 75 per cent of gem diamonds production."

He suggests that, although the share price of Dia Met Minerals, the Canadian company that discovered Point Lake and is now backed by Broken Hill Proprietary, Australia's biggest natural resources group, has risen by 2,000 per cent in the past year, if *CLL assessment* of the discovery is correct, it is still undervalued.

Some other analysts are not so enthusiastic. Mr Rob Weinberg at the Societé Générale Strauss Turnbull financial services group points out that Dia Met's share price puts a value of $290m on its exploration properties, which is equivalent to 36 per cent of *Australia's* Argyle mine. "We can't help feeling that that is somewhat excessive." Argyle is producing about 33.6m carats of diamonds a year, of which about 1.7m are gem diamonds.

Others point out that, although there are more than 3,000 known kimberlite deposits in the world, only 1,000 contain diamonds and only between 50 and 60 have ever proved economic.

Brazilian gold output slumps by 5 tonnes

By Bill Hinchberger* *in Sao Paulo

BRAZILIAN GOLD output slumped to 32 tonnes in the first half of this year from 37 tonnes in the corresponding period of 1991, according to figures released by the National *Gold Association (Anoro)*. Production for the year is expected to reach 70 tonnes, down from 78 tonnes in 1991, said Mr *Nathan Blanche, Anoro's president.*

Production is divided in roughly equal shares between independent "garimpo" extraction and industrial operations, estimated Mr Blanche. Brazilian output has declined dramatically in recent years, mostly because of lower "garimpo" output.

Mr Blanche believes that lower gold prices, higher fuel costs, and a tighter margin between the black market "parallel" dollar, used by "garimpeiros", and the commercial rate of exchange have reduced profitability for freelance miners.

Industrial output is actually increasing, albeit slowly. In 1990, it accounted for just 35.3 per cent of national output. Companhia Vale do Rio Doce, *the state-controlled Brazilian* mining giant, hopes to boost its gold output of 7.1 tonnes last year to nearly 12 by the end of the year.

Brazilian investment in research and prospecting for all minerals may reach only $40m this year, one-third of what was spent in the quest for new deposits in 1988, according the Companhia de Pesquisa de Recursos Minerais, a state-owned prospecting firm.

Constitutional limitations prohibiting majority ownership of mining concerns by multinationals contributed significantly to lower investment, said Mr Blanche.

Sudan fights locust menace

SUDAN SAID yesterday it has eradicated locusts from 70 per *cent of affected areas in the* gum arabic belt, reports Reuter from Khartoum.

The army newspaper al-Guwat al-Musallahah said 1.5m ha had been affected by locusts in the belt, which stretches from the eastern and central states to Kordofan and Darfur.

The paper said farmers had *been given insecticides to fight* the locusts and 10 aircraft were busy spraying the affected areas.

Gum arabic brings in some $50m annually, about one sixth of Sudan's total export earnings.

Credit runs out for Barbadian sugar industry

By Canute James in Port of Spain, Trinidad

THE BARBADIAN sugar industry, overcome by mounting debts, has been shut down indefinitely because it has run out of money.

The Barbados National Bank, which is owed US$50m by Barbados Sugar Industries Ltd, the island's sole producer, has cut off all credit to the industry and has started proceedings to put the company into receivership. The move has halted preparations at the island's three mills for processing cane for the next harvest, due to begin in eight weeks.

The shutdown follows years of declining production and mounting losses, with this year's output of 55,000 tonnes the lowest in 60 years.

The government and the producers had started discussions with Booker Tate of the UK, seeking agreement on the terms of a management contract for the British company to run the industry. However, Barbadian industry officials said yesterday that the discussions had been "inconclusive".

The poor performance of the *industry in recent years has* caused Barbados some difficulty in meeting its quota commitments to the European Community and the US, while satisfying domestic demand. Sugar has had to be imported for domestic consumption.

WORLD COMMODITIES PRICES

MARKET REPORT

LONON Metal Exchange **COPPER** prices continued to stall at overhead resistance above the $2,300 a tonne level, and ended with pared gains yesterday. In sterling terms the cash position closed £22 higher at £1,450 a tonne, but some £7 of the rise reflected the pound's *further fall against the dollar.* Dealers said copper's bounce from early lows around $2,280 a tonne indicated that the *technical picture was becoming* constructive, although upside targets around $2,315-$2,320 needed to be cleared to sustain *advances. Other LME metals* were relatively quiet, although **ALUMINIUM** briefly moved back above the $1,180 a tonne level for three months delivery. It quickly ran into overhead selling, however, and subsided to close just $3.50 up at $1,176.50 a tonne. At the London Futures and Options Exchange **COCOA** prices extended Wednesday's downturn on lack of buying interest, compounded by a New York opening below key chart support. The March position ended £8 down at £710 a tonne.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Dec)		+ or -
Dubai	$17.40-7.50u	-.225
Brent Blend (dated)	$19.40-9.45	-.200
Brent Blend (Dec)	$19.65-9.65	-.200
W.T.I (1 pm est)	$20.70-0.80u	-.275

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$213-216	
Gas Oil	$191-193	-1.5
Heavy Fuel Oil	$102-103	-0.5
Naphtha	$190-192	-2.5
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$339.85	+1.00
Silver (per troy oz)♣	376.5c	-1.00
Platinum (per troy oz)	$353.85	-1.55
Palladium (per troy oz)	$93.50	-0.15
Copper (US Producer)	105.0c	+0.50
Lead (US Producer)	38.5c	
Tin (Kuala Lumpur market)	14.30r	+0.06
Tin (New York)	267.5c	-2.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	109.25p	+0.36*
Sheep (live weight)†♣	72.70p	-1.23*
Pigs (live weight)†	88.24p	+3.09*
London daily sugar (raw)	$227.0w	+3.0
London daily sugar (white)	$262.0w	+1.0
Tate and Lyle export price	£253.0	+2.5
Barley (English feed)	£128.5u	
Maize (US No. 3 yellow)	£144.0	
Wheat (US Dark Northern)	Unq	
Rubber (Dec)♥	62.25p	+0.50
Rubber (Jan)♥	62.25p	+0.50
Rubber (KL RSS No 1 Oct)	222.0m	
Coconut oil (Philippines)§	$495.0y	
Palm Oil (Malaysian)§	$384.0u	
Copra (Philippines)§	$330.0	
Soyabeans (US)	£168.0w	-1.0
Cotton "A" Index	51.45c	
Wooltops (64s Super)	406p	+7.0

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Jan/Mar y-Dec/Jan u-Dec. w-Oct/Nov. z-Nov. †Meat Commission average fatstock prices. * change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Dec	198.00	201.00	197.00	
Mar	195.00	193.00	194.00	
May	199.00	196.00	197.00	
White	**Close**	**Previous**	**High/Low**	
Dec	259.90	258.50	259.20	258.50
Mar	258.70	256.00	258.70	258.00
Aug	265.50	264.00	264.00	
Oct	254.50	253.00	252.80	252.50

Turnover: Raw 37 (49) lots of 50 tonnes. White 236 (232) Paris- White (FFr per tonne): Dec 1353.53 Mar 1379.95

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Dec	19.58	19.90	20.00	19.58
Jan	19.60	19.90	20.00	19.60
Feb	19.59	19.89	19.88	19.57
Mar	19.49	19.76	19.74	19.49
Apr	19.64	19.67	19.69	19.64
May	19.36	19.60	19.55	19.36
IPE Index	19.74	20.08	19.74	

Turnover 20747 (33541)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Nov	186.00	187.75	189.50	186.75
Dec	187.00	189.50	191.25	187.00
Jan	188.25	190.50	192.00	188.00
Feb	188.25	189.25	189.50	188.25
Mar	181.25	182.75	184.50	181.25
Apr	177.00	178.75	180.25	177.00
Jun	172.50	174.50	174.50	172.50
Jul	174.00	175.25	175.00	

Turnover 16592 (19686) lots of 100 tonnes

FRUIT & VEGETABLES

Apples remain the best fruit buy, reports the FFVIB. Good English apples include: Spartan at 30-40p a lb (30-45p) and Cox at 35-45p a lb (35-45p). Kiwifruit at 16-20p each (16-20p), oranges at 12-25p each (12-25p) and pineapples at 80p-£1.00 each (80p-£1.00) round off the week's best buys. It's Halloween on Saturday so pumpkins are essential and reasonably priced at 16-20p a lb (15-20p). Root vegetables continue to be good value with carrots at 15-20p a lb (15-20p), and onions at 15-25p a lb (15-25p). Homegrown Chinese leaves at 40-50p a lb (50-65p) are excellent value.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Dec	685	694	689	683
Mar	710	718	717	707
May	727	735	731	726
Jul	744	753	746	743
Sep	761	769	764	758
Dec	782	792	785	782

Turnover: 1676 (4547) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 28 749.42 (757.86) 10 day average for Oct 29 741.30 (738.04)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Nov	886	893	897	879
Jan	916	916	921	904
Mar	927	930	935	919
May	936	934	935	920
Jul	945	944	945	932
Sep	950	952	950	940

Turnover: 5525 (5786) lots of 5 tonnes
ICO indicator prices (US cents per pound) for *Oct 28: Comp. daily 55.67 (55.58) 15 day average* 53.45 (53.13)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	61.7	63.7	62.6	61.5

Turnover 90 (100) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Dec	145.00	144.00	
Feb	146.50	145.50	

Turnover - (186) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Oct	1112		1112	
Nov	1183	1190	1190	1183
Dec	1183	1185	1190	1183
Jan	1220	1230	1230	1220
Apr	1234	1240	1240	1234
BFI	1111	1108	1111	

Turnover 339 (118)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Nov	127.00	127.00	127.00	
Jan	129.70	130.25	130.25	129.70
Mar	132.70	133.25	133.25	132.70
May	135.55	136.00	135.60	135.40
Jun	136.50	137.10	137.00	136.50
Barley	**Close**	**Previous**	**High/Low**	
Jan	128.00	128.20	128.10	128.00
Mar	131.10	131.30	131.10	

Turnover; Wheat 196 (380), Barley 10 (204).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Nov	111.5	111.0	111.0

Turnover:12 (8) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 26,333 lots
Cash	1150.5-1.5	1148-8		1148.5-9		
3 months	1176-7	1172-4	1184/1174	1174.5-5	1175-6	168,852 lots
Copper, Grade A (£ per tonne)						Total daily turnover 43,528 lots
Cash	1450-1	1428-9	1452	1451-2		
3 months	1476.5-4.5	1453.5-4.0	1483.5/1458	1476.5-7	1474-5	146,234 lots
Lead (£ per tonne)						Total daily turnover 2,524 lots
Cash	325.5-6.5	324-5		323-4		
3 months	338.5-9	337-8	338.5/337	336-6.5	338-9	24,438 lots
Nickel ($ per tonne)						Total daily turnover 5,589 lots
Cash	6085-95	6060-5	6085/6082	6065-70		
3 months	6160-5	6155-7	6185/6080	6135-40	6160-5	32,078 lots
Tin ($ per tonne)						Total daily turnover 2,570 lots
Cash	5795-805	5810-20		5765-80		
3 months	5855-60	5870-80	5895/5810	5842-5	5850-5	10,088 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 9,617 lots
Cash	1101-3	1098-100	1100.5/1098.5	1097.5-8.5		
3 months	1120-1	1118-9	1120/1110	1117-8	1119-20	68,583 lots

LME Closing £/$ rate: SPOT: 1.5703 3 months: 1.5589 6 months: 1.5472 9 months: 1.5402

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	339.50-339.80	
Opening	338.80-339.20	
Morning fix	339.50	215.308
Afternoon fix	339.60	216.967
Day's high	339.60-339.90	
Day's low	339.00-339.40	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	1.98	6 months	2.24
2 months	2.09	12 months	2.46
3 months	2.13		

Silver fix	p/troy oz	US cts equiv
Spot	239.75	376.65
3 months	244.20	379.90
6 months	247.85	385.15
12 months	254.75	390.00

GOLD COINS

	$ price	£ equivalent
Krugerrand	337.50-340.50	215.00-217.00
Maple leaf	350.25-352.55	-
New Sovereign	80.00-83.00	51.00-53.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Dec	Mar	Dec	Mar
1100	67	97	3	8
1200	8	33	43	42
1300	3	7	134	115
Copper (Grade A)	**Calls**		**Puts**	
2200	94	120	4	19
2300	27	58	37	55
2400	3	22	113	118
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
750	230	186	18	11
800	182	100	30	23
850	159	69	46	42
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
625	60	97	1	12
650	39	79	5	19
675	22	62	13	27
Brent Crude	**Dec**	**Jan**	**Dec**	**Jan**
1900			3	16
1950			20	36
2000	13	34	38	48

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	339.5	339.4	0	0
Dec	340.2	340.1	340.5	338.7
Feb	341.6	341.4	341.9	341.3
Apr	342.9	342.7	343.3	343.0
Jun	344.4	344.2	344.6	344.0
Aug	346.1	345.9	0	0
Oct	347.9	347.7	0	0
Dec	349.8	349.6	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	353.7	356.0	354.0	351.0
Apr	353.7	355.0	352.0	351.0
Jul	352.4	354.7	0	0
Oct	354.4	356.7	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	375.2	376.7	0	0
Dec	376.5	377.0	377.5	375.0
Jan	377.8	378.3	0	0
Mar	380.2	380.7	381.5	379.5
May	382.9	383.4	382.5	382.5
Jul	385.6	386.1	386.5	386.0
Sep	388.4	389.0	389.0	389.0
Dec	393.0	393.6	394.0	393.0
Jan	394.5	395.1	0	0
Mar	398.3	398.9	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	101.35	100.65	102.00	101.30
Dec	101.95	101.20	103.30	101.90
Jan	102.35	101.55	103.00	102.40
Feb	102.55	101.80	0	0
Mar	102.75	102.10	104.00	102.70
Apr	103.05	102.45	0	0
May	103.40	102.80	104.30	103.40
Jun	103.65	103.10	0	0
Jul	103.90	103.40	104.75	104.00
Aug	104.05	103.60	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	20.76	21.12	21.11	20.68
Jan	20.80	21.10	21.09	20.73
Feb	20.74	21.02	21.01	20.70
Mar	20.70	20.94	20.92	20.65
Apr	20.58	20.86	20.81	20.58
May	20.52	20.79	20.76	20.52
Jun	20.50	20.73	20.62	20.60
Jul	20.50	20.67	20.50	20.48
Aug	20.45	20.61	20.45	20.45
Sep	20.36	20.56	20.42	20.41

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Nov	5975	6140	6120	5965
Dec	6050	6215	6190	6030
Jan	6120	6257	6240	6100
Feb	6045	6165	6145	6030
Mar	5890	5990	5970	5885
Apr	5725	5820	5805	5740
May	5630	5710	5680	5630
Jun	5590	5635	5615	5590
Jul	5560	5625	5625	5580
Aug	5625	5680	5645	5625

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	943	961	962	937
Mar	992	1000	1001	985
May	1025	1032	1032	1020
Jul	1050	1059	1060	1050
Sep	1078	1090	1083	1078
Dec	1111	1126	0	0
Mar	1150	1162	1148	1148
May	1179	1191	0	0
Jul	1209	1221	0	0
Sep	1217	1229	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	67.15	66.80	67.25	65.15
Mar	69.15	68.25	69.25	67.05
May	72.10	71.30	72.15	70.00
Jul	73.75	72.75	73.75	71.70
Sep	75.00	74.25	75.00	73.20
Dec	77.25	76.40	76.50	76.50
Mar	78.25	77.65	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.75	8.81	8.84	8.74
May	8.85	8.89	8.93	8.85
Jul	8.88	8.92	8.96	8.88
Oct	8.86	8.89	8.96	8.86
Mar	8.90	8.94	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	51.54	51.21	51.75	51.25
Mar	51.93	51.85	52.30	51.85
May	52.80	52.50	53.05	52.70
Jul	53.35	53.10	53.55	53.35
Oct	54.70	54.55	0	0
Dec	55.35	55.08	55.40	55.20
Mar	55.50	55.63	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	97.65	97.90	98.00	97.10
Jan	96.00	95.50	96.50	95.05
Mar	97.75	97.30	98.20	97.00
May	99.00	98.75	99.10	98.50
Jul	99.00	98.25	99.10	99.00
Sep	99.00	98.75	99.10	99.10
Nov	98.50	98.25	0	0
Jan	98.50	98.25	0	0
Mar	98.50	98.25	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 29	Oct 28	mnth ago	yr ago
1646.4	1643.1	1558.6	1652.0

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct 28	Oct 27	mnth ago	yr ago
Spot	113.21	113.38	115.91	114.08
Futures	115.40	115.06	114.34	123.34

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	541/6	539/0	542/0	538/4
Jan	548/0	545/2	548/4	545/2
Mar	556/2	552/2	555/6	552/2
May	562/0	559/2	562/2	559/0
Jul	568/6	565/6	569/0	565/6
Aug	571/0	569/0	571/4	570/0
Sep	570/6	568/0	571/4	569/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	19.04	18.87	19.05	18.77
Jan	19.17	19.02	19.19	18.90
Mar	19.36	19.24	19.38	19.05
May	19.58	19.45	19.58	19.40
Jul	19.78	19.66	19.80	19.60
Aug	19.78	19.73	19.83	19.73
Sep	19.86	19.80	19.95	19.78
Oct	19.92	19.87	20.05	19.87

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	181.7	180.8	181.8	180.8
Jan	182.1	181.5	182.5	181.4
Mar	182.8	181.7	183.0	181.6
May	183.7	182.3	183.8	182.0
Jul	185.5	183.9	185.8	183.8
Aug	185.6	184.8	186.7	185.3
Sep	188.0	185.8	188.0	186.3
Oct	189.0	187.5	189.0	187.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	206/6	205/0	207/0	205/2
Mar	217/0	215/2	217/4	215/2
May	224/4	222/4	224/6	222/4
Jul	229/0	227/0	229/2	227/2
Sep	233/0	231/2	233/0	231/6
Dec	238/0	235/2	238/0	235/4
Mar	244/6	242/0	244/6	242/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	350/2	348/0	351/0	347/0
Mar	347/0	346/4	347/6	345/0
May	333/4	333/0	333/6	331/0
Jul	311/2	312/4	311/4	310/2
Sep	318/4	318/2	317/0	316/4
Dec	326/6	326/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	73.450	73.250	73.575	72.925
Feb	71.175	71.125	71.375	71.050
Apr	71.650	71.625	71.875	71.600
Jun	68.750	69.550	68.925	68.650
Aug	67.525	67.300	67.650	67.450
Oct	67.850	67.650	67.850	67.800
Dec	68.125	68.100	68.125	68.125

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	42.350	42.525	42.800	42.225
Feb	41.925	41.825	42.125	41.600
Apr	39.800	39.850	40.050	39.825
Jun	44.600	44.300	44.675	44.200
Jul	44.175	44.050	44.200	43.950
Aug	43.025	42.900	43.050	42.700
Oct	40.225	40.100	40.250	39.900
Dec	42.250	42.275	42.300	42.100

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	40.250	40.800	41.300	39.950
Mar	40.450	40.950	41.400	40.275
May	41.950	42.575	42.700	41.600
Jul	42.325	43.000	42.950	41.900
Aug	41.850	42.000	41.850	41.250

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LONDON STOCK EXCHANGE

Shares easier after an active session

By Terry Byland, UK Stock Market Editor

THE UK stock market remained depressed yesterday as it waited for last night's Mansion House speech from *Mr Norman Lamont, the British* chancellor of the exchequer. With hopes for immediate cuts in interest rates again discouraged both in London and Frankfurt. UK stocks were left to make their own response to a flow of corporate developments.

Investment activity remained high, with retail or customer business boosted by substantial placings of stock in *blue chip* companies. *But the* institutions traded very selectively and the FT-SE Index was influenced by arbitraging with stock index *futures and* by reaction to ICI's trading statement. The chief feature was an unexpected but agreed £935m *counter-bid from Tomkins,* the industrial conglomerate, for Ranks Hovis McDougall (RHM), the bakery group under offer from Hanson.

ICI's third quarter results were every bit as bad as feared. Nor did the chairman's comments on the outlook provide much encouragement for a stock market already upset this week by statements from British Steel and Marks and Spencer.

Shares in ICI fell very sharply in initial response to the profits news, helping to drag the Footsie down by 22.2 *to its day's low.* However, the shares rallied after ICI removed one cause for uncertainty by confirming that plans *for the proposed demerger of* its bioscience businesses remain on track.

The absence of any change *in rates following the routine* Thursday meeting of the Bundesbank policy council, while no surprise in London, provided a further dampener on share prices. The Bank of England, through London money market activity, indicated that, as was *also well understood, UK rates* would not be changed during the session.

However, the City's underly*ing conviction that domestic* rates will be cut again soon was reflected in continued firmness in UK government bond prices, despite a further dip in sterling.

The stock market was left to follow its own devices ahead of *the chancellor's speech to the* bankers and City representatives, which was not delivered until well after trading hours. The FT-SE Index steadied, helped by a calm opening to the new Wall Street session, and closed at 2,642.3, down 8.1 on the day.

Seaq volume, boosted by the activity in ICI and in the RHM situation stocks, totalled *567.1m shares against 517.2m in* the previous session. On Wednesday, retail business was worth £1.1bn, around the levels regarded as profitable for the London investment community. However, it was confirmed yesterday that BZW, the UK investment bank, had reduced staffing in its corporate finance division.

Few City professionals expected any dramatic developments in Mr Lamont's speech in London last night, and most agreed that the financial markets will remain nervous over the next week as they await the outcome of the US presidential elections as well as of the Maastricht debate in the UK. Further reductions in UK interest rates are likely to provide the basis for the next move by the stock market.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	3	428	
ASDA Group	3,500	41	
Abbey National	2,800	331	
Albert Fisher	7,200	[illegible]	
Allied-Lyons	847	[illegible]	[illegible]
Amstrad	655	26	+1
Anglian Water	1,800	448	-2
Argos	757	283	
Argyll Group	1,300	387	+1
Arjo Wiggins	2,100	183	+1
Ass. Brit. Foods	413	440	-1
Ass. Brit. Ports	135	[illegible]	+2
BAA	982	724	+6
BAT Inds.	1,300	875	-2
BET	2,100	108	+1
BICC	654	341	-4
BOC	1,400	[illegible]	+3
BP	8,700	231½	-3½
BPB Inds.	59	171	+1
BT	5,300	368½	+2
BT New	3,800	201½	+1
BTR	3,800	494	-5
Bank of Scotland	1,400	115	-1
Barclays	8,800	330	+3
Bass	1,300	544	-7
Berisford Int.	40	15	
Blue Circle	2,900	162	+5
Booker	119	388	+2
Boots	1,700	474	+10
Bowater	670	546	-4
Brit. Aerospace	1,300	139	+1
British Airways	2,900	282½	+1½
British Gas	3,700	268	-2½
British Land	487	177	
British Steel	5,500	50	-2
Bunzl	784	98	-3
Burmah Castrol	536	640	-3
Burton	2,400	44½	-1½
Cable & Wire.	1,200	699	
Cadbury Schweppes	3,300	451	-14
Calor Group	83	230	+2
Carlton Comms.	468	710	-12
Coats Viyella	4,400	204	-5
Comm. Union	1,300	571	[illegible]
Cookson	717	[illegible]	[illegible]
Courtaulds	1,500	[illegible]	[illegible]
Dalgety	[illegible]	[illegible]	
De La Rue	[illegible]	[illegible]	[illegible]
Dixons	[illegible]	[illegible]	[illegible]
Eastern Elect	[illegible]	[illegible]	[illegible]
East Midland Elect	[illegible]	[illegible]	[illegible]
Eng China Clays	[illegible]	[illegible]	[illegible]
Enterprise Oil	[illegible]	[illegible]	[illegible]
Eurotunnel Units	[illegible]	[illegible]	[illegible]
FKI	[illegible]	[illegible]	[illegible]
Fisons	[illegible]	[illegible]	[illegible]
Forte	[illegible]	[illegible]	[illegible]
Gen. Accident	[illegible]	[illegible]	[illegible]
General Elect.	[illegible]	[illegible]	[illegible]
Glaxo	[illegible]	809	+10
Glynwed Int.	[illegible]	[illegible]	[illegible]
Granada	[illegible]	[illegible]	[illegible]
Grand Met.	[illegible]	[illegible]	[illegible]
GUS A	[illegible]	[illegible]	[illegible]
GRE	[illegible]	[illegible]	[illegible]
GKN	[illegible]	[illegible]	[illegible]
Guinness	[illegible]	[illegible]	[illegible]
HSBC (75p shs)	[illegible]	[illegible]	[illegible]
Hammerson 'A'	[illegible]	[illegible]	[illegible]
Hanson	[illegible]	226½	-5½
Hanson Warrants	[illegible]	[illegible]	[illegible]
Harrisons Crosfield	[illegible]	[illegible]	[illegible]
Hillsdown	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
ICI	4,200	1036	-14
Inchcape	757	591	+5
Kingfisher	1,500	543	
Kwik Save	802	727	-1
Ladbroke	2,900	172	
Land Securities	625	488	-4
Laporte	271	598	-7
Legal & General	1,100	376	+2
Lloyds Abbey	368	376	-5
Lloyds Bank	2,300	448	+5
LASMO	1,600	177	-1
London Elect.	2,600	426	+5
Lonrho	1,100	85½	-1½
Lucas	3,000	[illegible]	-2
MB Caradon	1,700	[illegible]	-7
MEPC	357	[illegible]	-7
Manweb	982	[illegible]	+4
Marks & Spencer	4,800	[illegible]	-3½
Midlands Elect	737	481	+2
NFC	[illegible]	[illegible]	-5
NatWest Bank	8,100	[illegible]	-3
Rothmans	[illegible]	[illegible]	-21
Royal Bk Scotland	677	172	-1
Royal Insurance	4,300	213	+6
Saatchi	40	181	-1
Sainsbury	2,400	487	+5
Scottish & New.	397	450	-2
Scot. Hydro-Elect.	944	219	-1
Scottish Power	1,400	292	
Sears	1,000	[illegible]	
Sedgwick	2,300	165	+1
Seeboard	177	438	+6
Severn Trent Water	1,200	432	-1
Shell Transport	11,000	534	-1
Siebe	774	384	-1
Slough Ests	1,700	134	+4
Smith (WH) A	[illegible]	[illegible]	-1
Smith & Nephew	1,500	145½	+2
SmithK Beecham	1,800	[illegible]	+5
SmithK Beecham Uts	3,100	[illegible]	+5
Smiths Inds	333	337	-2
Southern Elect	4,000	483	+7
Vodafone	2,700	387	-2
Warburg (SG)	128	519	+3
Wellcome	1,800	882	+7
Welsh Water	198	482	+6
Wessex Water	88	334	-1
Whitbread 'A'	638	445	
Williams Hldgs	1,300	278	-10
Willis Corroon	397	223	+1
Wimpey	475	90	
Wolseley	355	435	
Yorkshire Elect.	886	480	+6
Yorkshire Water	197	501	

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:		
Oct 19	Nov 2	Nov 16
Option Declarations:		
Oct 29	Nov 12	Nov 26
Last Dealings:		
Oct 30	Nov 13	Nov 27
Account Day:		
Nov 9	Nov 23	Dec 7

*New time dealings may take place from 8.30am two business days earlier.

Surprise at new RHM bid

THE SURPRISE £935m bid by Tomkins for Ranks Hovis McDougall (RHM) sent shares in the two groups in wildly opposite directions and, *together with RHM's other bid*der, Hanson, produced the three heaviest traded stocks in a London market almost wholly negative in its view of the agreed offer.

Tomkins shares tumbled 49 to 212p in turnover of 29m as the industrial conglomerate revealed the terms of the takeover, which included a 2-for-1 rights issue. Turnover in RHM reached 38m, the shares soaring 21½ to 273p, 6p ahead of the Tomkins offer price.

Analysts described the price, which dwarfed Hanson's £790m hostile offer, as "very full" and many expressed misgivings at Tomkins' intentions to keep RHM together. Mr Tim Potter *of Smith New Court said:* "It's a tall order to fulfil. Tomkins has no expertise in running a food business and the problem areas, such as baking, will be difficult ones to address." Many observers believe Tomkins is over-optimistic in its *belief and that, should the bid* be successful, some disposals from RHM will be inevitable.

Most analysts were advising RHM shareholders either to take the cash alternative or to sit tight and wait for Hanson's response. Initial market reaction was that Hanson would walk away from the deal. However, Lord Hanson, chairman, ignited some excitement telling RHM shareholders in a state*ment to "take no action for the* time being".

County NatWest was among several houses yesterday to issue sell *notes on Tomkins.* Analyst Mr Geoff Allum argued that the rights issue would put too many shares into the market and that the bid price was too high. "Tomkins say they have plans for RHM but they will not say what they are," he said. "I cannot see anything in this bid which will not weaken the shares further. They should be sold."

Disappointment over the arrival of a rival bidder and large selling from the US prompted Hanson shares to fall *5½ to 226½p. Analysts said a* takeover of RHM would enhance Hanson's earnings by 3 per cent before tax benefits were factored in. The shares have performed well since the bid was announced.

There are also worries that the US might introduce protectionist tax charges. These would hit Hanson, which has very high exposure to the US. Dealers said one US investor was trying to unload a very large line of stock yesterday and that the weight of it was pushing down the share price.

ICI upset

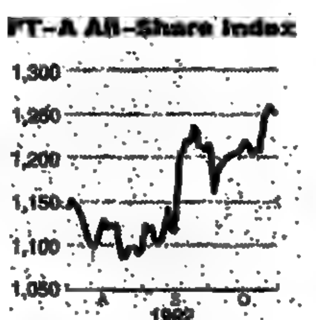
Long-awaited third quarter results from ICI turned out to be even worse than the bears had anticipated. The announcement of the headline figures, hot on the heels of disappearing rate cut hopes, sent the shares and the FT-SE 100 Index sharply down.

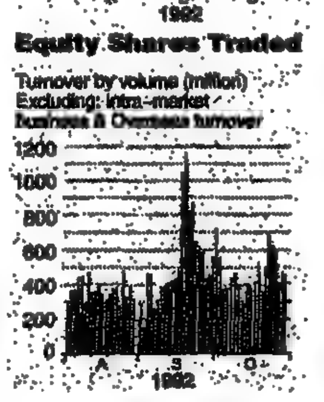
ICI shares had been wallow*ing around 20 lower, but when* the profit figure of £93m for the quarter and £513m for the year to date appeared, marketmakers chopped quotations and ICI was down 46 at worst.

Analysts returned from the company meeting with the view that ICI was determined to maintain the dividend. This, coupled with continued commitment to the planned demerger, helped the shares to *recover and close only 14 off at* 1036p with 4.2m traded.

However, Mr Charles Lambert of Smith New Court said the dividend would be uncovered for the first time and the demerger might have to be postponed. He cut his 1992 estimate by £50m to £550m and his 1993 figure by £775m to £700m.

Broker Hoare Govett, which surprised the market with hefty cuts a month ago maintains its caution. Hoare's Mr Martin Evans has cut back to £580m for this year and taken a particularly gloomy view of 1993 prospects, slicing his estimate by £155m to £720m.





Hotels hint

A dull leisure sector was enlivened by talk surrounding Queens Moat Houses. Shares in the hotel group have been buoyant all week and there were hints that a deal with Bass was in the offing.

Speculation that the brewery group is looking to dispose of some of its Holiday Inn chain is not new, but renewed talk yesterday had Bass considering taking a stake *in Queens Moat* in return for management of some of its hotels. Analysts were mostly sceptical. Shares in Queens Moat, held back by a downgrade from Smith New Court, fell a penny to 40p. Bass fell 7 to 544p.

There were many trading features in a busy oil and gas sector. Shell was by far the biggest traded stock, easing to 531p and subsequently closing a net penny off at 534p after exceptionally heavy trade of 11m shares.

The bulk of the trade was made up by the purchase at 528p and and resale at 531p of a block of 2.2m Shell shares, apparently by one of the leading UK securities houses. Later in the session another block of 2m Shell traded at 528p.

The reasoning behind the recent exceptionally heavy trading in BP traded options, apparently on behalf of one of the big US investment banks, became evident as BP and the Colombian authorities announced new reserves estimates for the Cusiana oilfield located in Colombia. BP and Triton Energy, of the US, are participants in Cusiana, along with the Colombian state-owned oil company.

After some confusion, when BP estimated reserves at 1.5bn barrels of crude and condensate, against Colombian official estimates of 1.3bn barrels, dealers *adopted a bearish stance on* the figures, chopping BP shares from around 236p to an eventual closing level of 231p, a net loss of 3½, after turnover of 8.7m.

Specialists were also said to have been disappointed at prospective levels of production from the field. There was similar disappointment in the US, which now speaks for well over 20 per cent of BP shares. Triton stock came under heavy selling pressure and were down some six per cent in early trading.

One UK oil sector analyst said the Cusiana numbers were "the best the realists could have expected".

Royal Insurance was the pick of the composite insurance sector, the shares improving 6 to 213p on higher than usual activity of 4.3m shares. Dealers said speculators had revived long-running stories that Allianz, the German insurance group, was about to pounce with a 300p a share bid *for the company.*

Sun Alliance moved up 3 to 320p and Commercial Union (CU) eased 2 to 571p; the bought deal in which Sun Alliance disposed of a block of 60m shares in CU on September 18 was executed jointly by Smith New Court and Cazenove.

Pharmaceutical stocks moved against the market on strengthening conviction that President Bush might retain the presidency. Glaxo was the strongest performer. The shares rose 10 to 809p on turnover of 4.2m.

A downgrade and reiterated sell stance by Smith New Court hurt Cadbury-Schweppes, the shares slipping 14 to 451p. Similar treatment was meted out by James Capel on MFI, the shares losing 6 to 112p.

Automated Security Holdings ran up 9 to 137p with dealers noting persistent US support for the stock ahead of a visit next week to the company's US operations by UK analysts. It was also suggested that recent steady selling of the shares by several UK institutions had dried up and that domestic funds are now keen supporters of the shares.

Reuters fell 20 to 1178p on worries over a threatened overhang of stock after shareholder United Newspapers (off 2 at 453p) announced it was exchanging preference shares *for Reuters shares.*

MARKET REPORTERS:
Christopher Price
Steve Thompson
Peter John

■ Other market statistics, Page 28

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (164).
BRITISH FUNDS (38) Tr. 10pc 1993, Tr. 8¼pc 1995-98, Tr. 15¼pc 1996, Tr. 9¾pc 2002, Cv. 9½pc 2004, Cv. 9½pc 2005, Tr. 12½pc 2003-05, Tr. 8pc 2002-06, Tr. 8½pc 2007, [illegible] ... MERCHANT BANKS (1) [illegible], METAL & METAL FORMING (1) Cook (Wm), OIL & GAS (1) Brabant Res., OTHER FINANCIAL (2) Cambridge, Carlisle, PACKAGING, PAPER & PRINTING (4) Buhrmann-Tetterode, Dolphin Pack., Essette, Stat-Plus, PROPERTY (1) Mountview Ests., STORES (1) Austin Reed, TEXTILES (4) Lowe (Robt. H), Parkland A, Pepe, Tomkinsons, TRANSPORT (1) Tibbett & Britten, MINES (2) Aztec Expln., Stilfontein.

FINANCIAL TIMES EQUITY INDICES

	Oct 29	Oct 28	Oct 27	Oct 26	Oct 23	Year ago	High	Low
Ordinary share	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ord. div. yield	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		
Earning yld % full	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		
P/E ratio net	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		
P/E ratio nil	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		
Gold Mines	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

*for 1992 Ordinary share index since compilation: [illegible]. Gold Mines index since compilation: [illegible]. Basis Ordinary share [illegible]; Gold Mines [illegible].

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
1958.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Oct 29	Oct 28	Oct 27	Oct 26	Oct 23	Year ago
SEAQ Bargains	23,526	22,061	23,468	24,437	28,311	23,461
Equity Turnover(£m)†	-	1110.5	1035.8	773.1	1368.8	787.75
Equity Bargains†	-	28,109	28,158	27,401	33,208	21,848
Shares traded (ml)†	-	468.4	472.3	498.0	585.2	432.9

† Excluding intra-market business and overseas turnover.

London report and latest Share Index Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

FT-SE - Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2642.3 -8.1	2513.8 -1.5	1250.26 -3.21

	Oct 29	Oct 28	Oct 27	Oct 26	Oct 23	Year ago	1992 High	1992 Low	Since compilation High	Since compilation Low
FT-SE 100	2642.3	2650.4	2669.8	2661.6	2669.7	2549.5	2737.8	2281.0	2737.8 11/5/92	986.9 23/7/84
FT-SE Mid 250	2513.8	2515.3	2515.6	2509.6	2505.9	2539.0	2825.0	2157.8	2825.0 20/5/92	1379.4 21/1/86
FT-SE-A 350	1274.5	1277.8	1285.3	1281.5	1284.3	1242.0	1342.7	1103.1	1342.7 11/5/92	664.5 14/1/86

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2650.0	2653.4	2650.0	2639.0	2632.8	2639.2	2641.6	2641.6	2642.3	2660.5	2628.2
FT-SE Mid 250	2518.8	2517.3	2518.8	2513.0	2511.5	2512.2	2512.7	2512.9	2513.4	2518.7	2510.5
FT-SE-A 350	1277.8	1279.2	1277.8	1273.1	1270.6	1273.1	1274.1	1274.2	1274.5	1282.0	1268.8

Gross dividend yield (ACT at 25%) FT-SE 100: 4.56%

FT-Actuaries All-Share

EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section.

	Equity groups & sub-sections	Thursday October 29 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Wed Oct 28 Index No.	Tue Oct 27 Index No.	Mon Oct 26 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (175)	755.30	-0.8	7.51	5.79	17.36	28.80	761.46	765.82	768.43	816.03
2	Building Materials (23)	750.06	-0.3	6.98	7.29	20.28	33.72	740.79	735.94	747.86	1001.96
3	Contracting, Construction (26)	634.93	+0.1	3.17	7.84	250.99	34.21	634.33	631.88	627.11	1071.64
4	Electricals (9)	2019.09	-1.3	8.24	7.45	16.04	108.10	2046.42	2101.20	2182.27	2488.50
5	Electronics (27)	2048.53	-0.4	7.96	4.16	15.80	47.93	2056.57	2063.40	2063.46	1776.78
6	Engineering-Aerospace (6)	282.74	-0.7	12.52	8.30	10.16	13.70	284.71	284.59	282.29	354.91
7	Engineering-General (43)	440.53	-0.5	8.97	5.32	14.26	15.75	442.68	447.00	446.74	490.00
8	Metals and Metal Forming (7)	273.56	-1.9	4.38	8.00	22.89	7.52	278.78	280.60	280.73	429.70
9	Motors (15)	312.16	-0.8	6.52	7.53	22.36	17.59	314.81	316.49	316.42	335.35
10	Other Industrials (19)	1744.79	-2.0	7.15	4.77	16.90	60.98	1780.36	1800.23	1804.86	1577.05
21	CONSUMER GROUP (193)	1647.56	-	7.02	3.52	17.66	35.20	1646.95	1668.21	1652.89	1578.30
22	Brewers and Distillers (25)	1947.01	-0.5	8.53	3.79	14.13	41.53	1956.70	1979.49	1980.70	1937.85
25	Food Manufacturing (19)	1266.85	-0.1	8.42	4.17	14.75	31.85	1268.30	1269.26	1258.86	1192.12
26	Food Retailing (18)	2918.37	+0.3	8.54	3.17	15.19	64.16	2908.94	2931.75	2901.39	2977.20
27	Health and Household (26)	4321.83	+0.9	5.15	2.61	22.56	72.10	4284.48	4313.11	4252.04	4003.20
29	Hotels and Leisure (18)	1123.63	-0.2	7.00	6.07	18.81	46.03	1125.74	1121.85	1121.33	1337.90
30	Media (26)	1601.25	-1.0	6.19	3.29	20.15	35.18	1617.19	1649.41	1644.52	1534.20
31	Packaging, Paper & Printing (17)	729.63	-0.3	6.95	4.45	17.90	22.68	731.59	744.23	750.69	763.93
34	Stores (33)	1049.18	-0.3	6.87	3.47	19.30	19.93	1052.37	1066.33	1071.55	1037.28
35	Textiles (9)	689.65	-1.2	6.88	4.45	18.29	16.65	698.09	704.24	695.45	651.43
40	OTHER GROUPS (116)	1313.01	-0.4	9.46	5.16	13.24	40.80	1318.21	1323.11	1324.09	1264.38
41	Business Services (18)	1404.66	+0.2	6.30	3.63	19.45	30.60	1401.34	1408.37	1400.77	1398.82
42	Chemicals (22)	1329.61	-0.8	6.96	5.46	18.11	48.48	1340.24	1359.65	1354.46	1430.75
43	Conglomerates (10)	1323.07	-2.3	8.71	8.31	14.69	40.93	1353.65	1359.46	1356.86	1498.17
44	Transport (13)	2477.22	-0.3	8.26	4.77	14.74	76.54	2485.86	2531.45	2538.78	2521.08
45	Electricity (16)	1402.60	+0.2	14.81	5.25	8.70	55.01	1400.27	1385.30	1379.24	1218.02
46	Telephone Networks (4)	1506.13	+0.3	10.63	4.38	12.99	46.15	1501.59	1514.64	1518.62	1538.91
47	Water (11)	3089.99	-0.1	14.47	5.60	7.65	86.85	3093.37	3029.28	3009.31	2386.67
48	Miscellaneous (22)	2239.78	-0.8	5.88	4.50	21.36	55.75	2257.68	2260.94	2290.36	1820.14
49	INDUSTRIAL GROUP (482)	1316.09	-0.3	7.90	4.44	15.88	35.99	1319.54	1327.77	1325.90	1288.35
51	Oil & Gas (18)	2120.84	-0.7	6.38	4.11	20.65	97.68	2135.53	2134.82	2132.13	2085.40
59	500 SHARE INDEX (500)	1390.35	-0.3	7.74	4.61	16.27	40.79	1394.54	1402.35	1400.46	1363.12
61	FINANCIAL GROUP (83)	810.59	-	-	5.42	-	31.00	810.46	815.93	806.82	780.44
62	Banks (9)	1110.16	+0.2	4.67	5.01	32.17	40.52	1107.70	1118.35	1112.26	917.10
65	Insurance (Life) (6)	1600.73	-1.2	-	5.68	-	68.18	1620.68	1633.32	1619.65	1455.09
66	Insurance (Composite) (7)	578.56	+0.4	-	5.21	-	22.58	576.25	580.31	576.85	582.85
67	Insurance (Brokers) (10)	794.56	-	9.02	7.07	14.58	42.25	794.70	784.25	768.10	1137.31
68	Merchant Banks (7)	476.68	+0.4	-	4.70	-	13.71	474.81	476.77	477.08	484.29
69	Property (30)	593.43	+0.1	9.44	7.14	13.92	23.41	592.79	589.20	587.65	[illegible]
70	Other Financial (24)	257.61	+0.1	7.74	6.47	16.97	9.35	257.24	256.39	253.75	265.71
71	Investment Trusts (70)	1212.33	-	-	3.70	-	27.54	1212.49	1206.37	1212.51	1232.13
99	ALL-SHARE INDEX (653)	1250.26	-0.3	-	3.70	-	37.90	1253.47	1260.51	1256.98	1238.63

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Construction	1277.1	1277.1	1277.3	1277.2	1271.8	1271.8	1271.8	1271.8	1275.3	1274.3	1274.8	-0.5
Health & H	1306.8	1306.1	1303.2	1303.5	1301.2	1304.0	1306.0	1310.5	1308.2	1308.8	1297.0	+11.8
Water	1278.4	1277.8	1278.8	1270.7	1272.8	1276.1	1276.2	1276.1	1277.0	1277.2	1278.6	-1.4
Banks	1351.6	1357.7	1357.4	1347.8	1343.1	1348.9	1348.0	1348.4	1348.9	1348.8	1346.9	+2.9

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. [illegible] The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries. [illegible] © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1992. © The Financial Times Limited 1992. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited.

LONDON SHARE SERVICE

BRITISH FUNDS / BRITISH FUNDS - Cont. / OTHER FIXED INTEREST

[illegible]

EQUITY FUTURES AND OPTIONS TRADING

DISAPPOINTING news continued to undermine the derivatives market yesterday. The futures market main*tained recent trends, showing* a *flurry* of activity in the morning and drifting off in the afternoon, writes Peter John.

The FT-SE 100 future contract for December opened at 2,695 and was bought up to 2,701. Then, high German inflation figures and the realisation that Germany was not going to cut interest rates knocked December back.

This disappointment was compounded by lower than forecast third-quarter figures from ICI and a 20-point fall in short sterling.

The Footsie future came back to 2,658 and struggled ahead of the chancellor of the exchequer's keynote speech timed for yesterday evening. December closed at 2,677 on turnover of just over 8,300 contracts. It ended the day 35 above the underlying cash market and some 15 points above the estimated fair value premium, currently at around 20.

Among traded options, total turnover of 24,637 lots was well down on the previous day with individual stock options attracting little interest. Barclays was the most active with 1,324 lots dealt as a two-way pull continued over whether the bank will cut the dividend. Lonrho was unusually busy with volume boosted by a call spread in the March series. ICI despite its impact elsewhere saw fewer than 500 lots dealt.

FLEMING FLAGSHIP FUND

R.C. B 8478

45, rue des Scillas
L-2529 Luxembourg - Howald

Notice of Meeting

NOTICE is hereby given that the Annual General Meeting of the Fleming Flagship Fund will be held at the offices of Fleming Fund Management (Luxembourg) SA, 45, rue des Scillas, Howald, Luxembourg, on Wednesday, 18 November 1992 at 15.00 hours.

Agenda

1. Submission of the reports of the Board of Directors and of the Auditors.
2. Approval of the financial statements for the year ended 30 June 1992.
3. Discharge of the Directors in respect of their duties carried out for the year ended 30 June 1992.
4. Election of the Directors and the Auditors for a term of one year.
5. Declaration of dividends on the sub-funds for the year ended 30 June 1992.
6. Miscellaneous business as may properly come before the Meeting.

Resolutions on the agenda of the Annual General Meeting will require no quorum and will be taken at the majority of the shareholders present or represented.

A shareholder entitled to attend and vote at the meeting may appoint a proxy to attend and vote on his behalf, and such proxy need not be a shareholder of the Fund.

By Order of the Board of Directors

AMERICANS

Notes	Price £	+ or -	1992 high	1992 low	Mkt Cap£m	Yld Gr's
Abbott Labs h	18½xd	-⅛	19⅛	14⅝	15,225	2.1
♥Allegheny & W	453p	—	451p	225p	234.4	4.2
Amdahl	517p	+28	1159p	455p	590.8	1.2
Amer Cyanamid	35¼	—	37	23⅝	3,180	2.9
Amer Express	13¼xd	+⅞	13⅞	10⅛	6,317	4.9
Amer T & T	28⅛xd	+¼	28⅞	20⅝	37,493	3.0
Ameritech	42½	+¾	42½	32½	18,898	5.2
BankAmerica	26⅞xd	—	27¼	19⅞	9,281	3.1
Bankers NY	40½xd	+⅛	41½	28⅞	3,290	4.4
Bell Atlantic	30¼	+½	30¼	23⅛	13,859	5.4
BellSouth	33	+½	33	25	18,133	5.3
♥Bethlehem Steel	8⅛xd	+½	9⅝	5⅞	765.3	—
Bowater	1285pxd	—	1579p	963p	492.7	—
CPC h	31¼xd	+½	31⅛	22⅛	4,733	2.4
♥Cadiz Land Inc	108p	—	342p	102p	—	—
California Engy	831p	—	830p	591p	151.3	—
Chase Manhattan	19⅛xd	—	18½	9⅛	2,258	5.0
Chrysler	17⅞xd	+⅞	17⅞	6¼	5,025	2.2
Citicorp	10¼xd	+¼	11¼	5⅛	3,909	—
Colgate-Palm	37⅞xd	-⅛	38	25¼	6,047	2.1
Cont'l Bank	1112p	—	1112p	499p	1,123	3.4
Dana	20⅛xd	+⅛	26⅛	14⅞	1,209	3.8
Data General	827p	+31	1084p	384p	228.2	—
♥Decora Inds	792p	—	122p	66p	—	—
Dun & Brad	35⅝	+⅛	37	27⅝	6,534	3.9
Eaton	46⅛	-⅛	48¼	32½	1,592	3.0
Echlin	12½xd	—	12½	7⅛	718.9	3.5
FPL	23⅞xd	+⅛	23⅞	17⅞	4,188	4.6
Fluor	28⅞xd	+⅞	29⅛	19⅛	2,318	0.9
Ford Motor	24¼xd	-1	28⅛	15	11,883	2.6
Gen Elect	49¼xd	+⅛	49¼	36⅛	42,874	3.0
♥General Host	594p	—	594p	360p	—	3.8
Gillette	37⅞xd	+⅛	37⅞	23⅞	4,212	1.2
Hasbro	21¼	+⅛	21½	12⅛	1,845	0.8
Honeywell	30¼	-⅛	43	32	2,762	2.6
Houston Inds	27⅝	—	27⅝	22	3,577	6.6
IBM	42½xd	+⅞	54½	41⅞	24,259	7.2
Ingersoll-Rand	19⅞	-⅛	19⅞	12⅞	2,829	2.3
Lockheed	29⅛	—	29⅛	22⅞	1,787	4.6
Lowe's h	1214p	—	1273p	815½p	885.7	1.5
Merrill Lynch	35⅞xd	+⅛	35⅞	24⅛	3,718	2.1
Morgan (JP)	39½xd	+⅛	39⅞	28⅞	7,541	3.5
Morris (Philip)	49⅞xd	+⅛	50⅞	37⅞	44,957	2.2
NYNEX	53½	+1	53⅛	39⅝	18,986	5.5
Pall	19	+⅛	19	10⅞	1,608	1.2
Pennzoil	35½xd	-1⅛	35⅞	23⅛	1,368	5.6
Quaker Oats	42¼xd	+⅛	42½	28	3,181	2.9
Rockwell	16½xd	+⅛	18⅝	11⅛	2,678	3.5
Rep NY	28xd	+⅛	28	20⅞	1,496	2.3
Sears, Roebuck	28⅞xd	+⅛	28	19⅞	5,291	4.7
Sthwestern Bell	42½	+⅛	42⅞	31⅛	12,783	4.3
Sun Co	15⅞xd	-⅛	16⅞	12⅛	1,658	7.4
Tenneco	23⅞xd	-⅛	25⅞	16½	2,888	4.4
Texaco	38¼xd	-⅛	38⅞	30⅞	10,122	5.2
Time Warner h	15	-⅛	15½	11½	6,568	1.2
♥Unilab	344p	—	587p	320p	319.5	—
♥URS Intl 1c	0¼p	—	1¼p	0¼p	2.71	—
US West	24	+⅛	24	18¼	9,836	5.6
Varity	1320p	-11	1321p	632p	332.4	—
Waste Manage	24⅞xd	+⅛	28	16⅞	12,109	1.3
Whirlpool	2485pxd	—	2709p	1765p	1,738	2.8
♥Woolworth	30⅞	+⅛	30⅞	13¼	2,002	3.4

CANADIANS

Notes	Price £	+ or -	1992 high	1992 low	Mkt Cap£m	Yld Gr's
♥Abbot Energy	2p	—	2p	1¼p	—	—
Amer Barrick	1882p	+20	1909p	1262p	2,882	0.5
Bk Montreal	24⅛	+⅛	24⅛	19¼	2,581	4.4
Bk Nova Scot	1242p	+39	1243p	895p	2,847	4.2
♥BC Gas	778p	-9	870p	621p	—	3.9
BCE	22⅞	-⅛	24½	18⅞	7,097	5.7
♥Brascan	929p	+12	987p	704p	761.2	6.0
♥Breakwater	14p	-1	33p	6p	4.98	—
Can Imp Bk	1488p	+45	1619p	1157p	2,749	4.5
Can Pacific	788p	-4	[illegible]	[illegible]	2,482	2.1

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

Authorised by the Inland Revenue

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Notes	Price	+ or -	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv	176	-½	178	147	3.4	208.2	16.0
Warrants	29	—	38	21	–	–	–
Scot Mortgage	167	-½	169	135	3.1	195.7	14.7
Scot National Inc	86	+1½	107	65¼	13.9	–	–
Cap	20	-1	42	12½	–	–	–
Stepped Pf	154¼	—	154¼	128	5.3	–	–
Zero Div Pf	196	+½	198½	166½	–	–	–
Warrants	5½	—	[illegible]	3	–	–	–
Scot Value	62½	—	64	48	3.8	62.4	0.2
Sec Alliance	1288	—	1289	1066	3.8	1457.3	12.2
Second Market	255	—	255	222	0.8	304.3	16.3
Sec Tst Scot	69	—	76½	61	6.4	74.9	7.9
Select Assets	98	—	102½	78½	1.2	148.0	34.1
Eq Ind Sert	118	—	123	106	4.8	–	–
Eq Ind Sert	118	—	123	106	4.8	–	–
SHIRESCOT	96	—	98	96	–	98.6	2.9
Shires	204	+1	249	188	12.8	210.4	3.0
11pc Cv Ln '03/04	£184½	—	£119½	£95½	18.5	–	–
Siam Select	90	—	91	68	0.4	130.5	31.4
Warrants	11	—	21	10	–	–	–
Smaller Cos	66	—	86	66	8.1	77.6	15.6
Warrants	13	—	26	10	–	–	–
Somerset Tst	114	—	140	55	–	87.2	-30.8
Sphere Inc	13½	—	20	9½	30.8	22.1	38.8
Zero Div Pf	76¼	+½	77¼	63¼	–	–	–
Sumit	35	—	55	30	4.8	93.3	62.5
TR City of Lon	115½xd	-½	127½	97½	5.5	114.6	0.8
TR Euro Growth	76	—	90	70	2.4	101.1	24.8
Ptg Sub	33	—	54	33	5.5	–	–
TR Far East Inc	106	—	107	76	5.5	120.4	12.0
Warrants	17	+½	22	12	–	–	–
TR High Inc	101	+1	110	91	7.9	101.2	0.7
Sub	23	—	35	21	8.7	–	–
TR Pacific	89	—	109	70	0.3	112.0	11.6
TR Prop	17	-¼	27	14½	11.4	33.6	49.8
TR Smaller	119	+1	152	96	4.1	138.4	14.4

MEDIA - Cont.

Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
Utd News	455	-2	487	323	[illegible]	6.2	15.5
VTR	45	—	65	43	3.28	10.1	11.5
WPP	43	-1	116	31	99.7	–	–
Warrants	5	+½	8½	1½	0.28	–	–
Walmoughs	454	—	480	391	148.1	3.1	19.6
Yorkshire Tyne-T	130	-2	191½	130	64.9	12.3	4.6
Warrants	10	—	18	9	0.90	–	–

MERCHANT BANKS

Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
Ansbacher (H)	28	—	34	28	92.3	–	–
Bzngs 8pc Cm 2nd Pf	101	+1	101	83½	12.6	10.6	–
9¼pc Non-Cum Pf	123	+1	125	103¼	48.2	10.6	–
Close Bros	221	—	237	205	84.8	5.7	9.8
Hambros	249	+3	292	202	431.3	7.4	9.1
7½pc Cv Pf	109	—	119	91½	109.5	9.2	–
Joseph (L)	308	—	333	308	18.2	6.9	–
Kleinwort Benson	309	—	324	212	392.1	7.1	26.3
Rea Bros	34	—	37	25	19.9	2.0	–
Schroders	1380	—	1385	1043	882.8	1.8	15.1
N/V	1100	—	1158	883	144.4	2.2	12.8
Singer & Fried	40	—	50	34	76.9	8.3	8.8
Warburg (SG)	519	+3	605	403	1,005	4.6	10.4
6pc Cv Pf	180	+½	204	137	78.6	4.4	–
Whitbrust	197	-1	253	197	18.7	6.3	7.6

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.

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FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	140.9	142.4	149.9	+0.52	0.00
AIB Grofund Equity	5	156.3	158.7	199.6	+0.65	1.78
AIB Grofund Euro	5	139.6	141.8	149.3	-1.2	0.36
AIB Grofund Ext B/Land	-	-	-	-	-	-
AIB Grofund Gilt	3	75.00	75.86	77.37	[illegible]	[illegible]
AIB Grofund Japan	5	120.2	121.6	128.0	[illegible]	[illegible]

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corporation St, Coventry 0203 553231

	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
General Inc	5	366.4	370.6xd	394.3	-2.2	3.33
General Acc	5	401.2	421.7xd	429.5	-2.3	3.33
UK Growth Acc	6	270.2	274.7xd	292.3	-1.9	3.75
UK Growth Inc	6	193.8	197.0xd	209.6	-1.4	3.75
Higher Inc Acc	6	461.8	470.2xd	500.3	-2.6	5.32
Higher Inc Inc	6	284.7	289.8xd	308.4	-1.7	5.37
Gilt/Fxd Int Acc	3½	167.0	167.0xd	176.6	+0.4	7.05
Gilt/Fxd Int Inc	3½	89.99	89.99xd	95.15	+0.17	7.05
Nth America	6	219.8	224.9xd	238.9	+2.7	0.00
Far East	6	227.5	[illegible]	244.4	+1.5	[illegible]
Europe	6	195.3	197.2xd	209.8	+0.8	0.08
Asia Exatl	6	55.09	55.54	59.09	[illegible]	[illegible]
Brit Federals Acc	6	71.04	71.49xd	76.06	[illegible]	[illegible]
Brit Federals Inc	6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Global Opps	6	57.78	58.59	62.33	+0.21	0.04

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd Bournemouth 0345 717373

[illegible]

Britannia Life Unit Managers Ltd (1200)F
190 West George St, Glasgow G2 2PA 041-332 3132

[illegible]

Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412282

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro $

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

[illegible]

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Sharp (Albert E.) & Co (1000)F
Admin. 5 Rayleigh Rd Hutton, Brentwood Essex
Enquiries: 0277 227300 Dealing: 0277 261010

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Bond & Com	5	118.00	118.38	124.50	+0.16	6.17
Pooled Pension #	3¼	£134.8	139.2	144.0	...	-
Smaller Cos	5	50.63	52.45	55.21	-0.0	2.72
UK General	5	107.30	109.00	114.70	...	2.66

Sheppards Unit Trust Mngmt Ltd (1200)F
1 White Hart Yard, London Bridge SE1 071 407 5966

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income	5	340.05	341.05	361.51	-1.21	5.70
Global Inc	5	48.99	48.99	51.93	+0.11	4.60
Brit. Leaders	5	290.70	290.70	308.14	-1.44	3.31
Intl Leaders	5	160.17	160.17	169.78	+1.20	1.93
PAm Ukr Bal Gwth Acc Y	3¼	47.12	47.81xd	49.67	-0.07	4.31
PAm Ukr Bal Gwth Inc Y	3¼	47.12	47.81xd	49.67	-0.07	4.31

Singer & Friedlander UT Mgmt Ltd (1000)F
PO Box 224, Beckenham, BR3 4TF 081-663 3003

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
European Trust	6	45.34	45.47xd	48.37	+0.03	1.85
Far Eastern Tst	6	51.38	51.76	55.05	-0.06	0.89
Smaller Cos	5	107.3	107.3	114.1	-5.1	3.11

Smith & Williamson Unit Tst Mgrs (1600)F
1 Riding House St. London W1A 3AS 071-637 5377

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
S & W American #	5	244.7	245.1	259.3	-2.7	1.00
S & W Capital	5	104.0	104.0	111.4	-0.7	2.04
S & W Cash #	0	100.83	100.83xd	100.83	+0.02	8.56
S & W European	5	102.7	102.9	108.8	-0.7	1.43
S & W Far Eastern	5	105.9	106.1xd	112.2	-0.4	0.34
S & W Growth	5	111.2	112.5xd	118.8	-1.4	1.53
S & W Income	5	95.09	96.37xd	101.9	-0.2	5.79
S & W Magnum	5	110.1	110.1	118.1	-0.7	1.93
S & W Smlr Secs	5	240.6	245.8xd	260.1	...	1.15
S & W Thoroughbred	5	127.0	127.0xd	136.2	-0.9	1.91

Societe Generale Touche Remnant (1600)F
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250
4 Hourly Pricing – 12 Noon Historic

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Gwth	5¼	66.73	66.73xd	71.36	+0.53	0

Whittingdale Unit Tst Mgmt Ltd (0830)F
2 Honey Lane, London EC2V 8BT 071-600 0462

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Challenger	2¼	86.34	86.34	88.34	+0.36	0.00
Short Dtd Gilt	1¼	107.2	107.2	108.6	+0.6	1.93
U.S. Govmnt Bond	1¼	$0.7010	0.7010	0.7102	+0.003	0.00
Gilt Income	4	51.73	51.73xd	53.82	+0.24	9.30
Gilt Growth	4	63.68	63.68	66.29	+0.38	0.00
City Reserve	0	54.94	54.94	54.94	+0.01	10.8

Woolwich Unit Trust Managers Ltd (1700)H
1 White Oak Square, Swanley BR8 7AG 0705 388046

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stockmarket Fd F	5	58.20	58.36	62.08	-0.23	2.80

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Int'l Exmt Oct 21	606.9	627.41	...	1.11

James Capel Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Exempt	116.076	123.503	+0.127	4.37

Cent. Bd. of Fin. of Church of England‡‡
2 Fore Street, London EC2Y 5AD 071-588 1815

	Bid Price	Offer Price	+ or -	Yield Gross
Inv Fund Sep 30	517.80	519.90	...	5.49
Fxd Int Sec Sep 30	144.40	145.00	...	10.00

Deposit, Fund: See Money Market Trust Funds.

Charinco/Charishare‡‡ (1000)F
39 King William Street, EC4R 9AS 072-280 2800

	Bid Price	Offer Price	+ or -	Yield Gross
Charinco Inc.	174.8	176.8	+0.40	9.38
Charinco Acc.	1000.6	1012.2	+2.40	9.38
Charishare Inc.	170.6	174.6	-0.20	4.52

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

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MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
IBI Global Funds Limited				
Intl Stlg Gwth	£20.00	21.06	--	-
Intl $US Gwth	$17.62	18.55	--	-
High Income Gilt	£25.87	26.81	--	-
International Equity	£20.17	21.24	--	-
International Bond	£22.40	23.72	--	-
Managed Currency	£27.28	27.57	--	-
Sterling Currency	£26.26	26.54	--	-
US$ Currency	$37.67	38.06	--	-
Irish £ Currency	I£14.98	15.14	--	-
Target International (Isle of Man) Ltd				
IMC Offshore Fd	£8.48	9.13	--	-
B.F. Offshore Inc Fd Ltd	£11.55	11.46	--	-
Nelson Mining W/W $US	£8.77	9.14	--	-
LFM Sterling Fd	£10.92	11.38	--	-

JERSEY (SIB RECOGNISED)

	Bid Price	Offer Price	+ or -	Yield Gross
Lloyds Bank Trust Co (CI) Mngrs				
Lloydstrust World Inc Port	£2.435	2.558	+0.039	1.18
Dealing weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£9.89	9.94		9.46
Minerals, Oils Res. Shrs. Fd. Inc.				
Miores Oct 22	$13.71	14.00	--	2.06
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income (z)	52.8	55.0	(z)	8.59
UK Equity Fd (z)	206.8	220.0	(z)	2.91
*Intl Bond Fd	97.0	101.0	(z)	7.19
**Natural Resources Fd	£10.2	117.0	(z)	0.43
*Sterling Mngd Asset Fd	526.4	553.0		5.00
*Sub. day every Thurs. **Sub. day monthly 5th and 20th				
NatWest TrustCor Currency Fund Ltd				
Dollar Class		$38.0073	(z)	-
Sterling Class		£26.6881	(z)	-
D-Mark Class		DM82.6775	(z)	-
Dutch Guilder Class		Dfl82.2312	(z)	-
Japanese Yen Class		Y7981.1211	(z)	-
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Oct 29	$34.27	36.47	+0.16	-
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Gwth Fd	$3.6121	3.8386	--	-
Offshore Japanese Gwth Fd	$0.9089	0.9659	--	-
Offshore Am Gwth Fd	$6.0297	6.4075	--	-
Offshore Emerging Cos	$3.3944	3.6073	--	-
Offshore European Fd	$1.4708	1.5707	--	-
Offshore Far Eastern Fd	$2.1961	2.3375	--	-
Offshore UK Growth Fd	$1.7342	1.8430	--	-
The Portugal Fund Limited				
Lloyds Bank Trust Company (Channel Islands) Ltd				
NAV Oct 23		$4.64		-
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	£13.09	13.58		1.43
Royal Trust Intl Fd Mngt Ltd				
Sterling Fxd Int (z)	99.30	100.30	+1.40	7.60

	Init Chrg	Canc Price	Bid Price	Offer Price	+ or -	Yield Gross
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey						0534 36633
AIB Currency Funds Ltd						
Intl Managed Bond	5		IE-20.0415	20.8479	--	-
Managed Capital Bd	5		IE-20.0024	20.9294	--	-
AIB Grofund Currency Fund Limited						
Stlg Mngd Currency	5		£-	10.8771	--	-
Sterling Currency Fd	5		£-	10.4608	--	-
Ecu Currency	5		Ecu-	10.5444	--	-
US Dollar Mngd Curr	5		$-	21.4611	--	-
Barclays International Funds						
PO Box 152, St Helier, Jersey CI						0534 67888
Australian Eq (Inc)	5¼	£0.828	0.829	0.887	-0.001	1.0
Global Income (Inc)	5¼	£0.496	0.502	0.537		2.4
Global Resources	5¼	£0.402	0.405	0.434	-0.002	0.6
Currency Funds						
Stlg Premium Income		£10.15		10.16	--	9.0
Sterling			£-	23.32	+0.01	8.0
US Dollar			$-	32.33	-0.01	2.6
Deutschemark			DM-	59.99	+0.02	8.0

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gross
NAV Sep 30		$96.58	--	-
Xiphias International Investment Fd Ltd				
Xiphias Inc USD		$1.1370	--	-
Xiphias Inc ECU		Ecu1.0445	--	-
Yamaichi Capital Mngmt (Guernsey) Ltd				
Thai Inv Fund		$12.78	+0.34	-

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. i Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. u Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey. Financial Services Commission, Ireland. Central Bank of Ireland; Isle of Man: Financial Supervision Commission, Jersey: Commercial Relations Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Bundesbank signal ignored

THE D-MARK failed to make any new headway against the dollar and European currencies in Europe yesterday despite the fact that the Bundesbank failed to change official rate policy at its council meeting, *writes James Blitz.*

In the run-up to the last two Bundesbank council meetings, the failure to change policy has been followed by a sharp wave of D-Mark buying in the markets. However, earlier this week, the Bundesbank repeatedly signalled that policy would remain tight and this expectation had already been priced into the market.

Dealers continue to assume, however, that the direction of German rate movements is firmly downwards and that there will be another cut in the discount rate before the end of the year. Against this background, the dollar closed at DM1.5415, up from a previous close of DM1.5385. It suffered a set-back later on in American trading, however, dropping back to DM1.5380.

Though the general expectation is for downward moves in German interest rates, creeping fears are starting to emerge that the speed at which the Bundesbank will ease policy will be a good deal slower than the market expects. Mr Gerard Lyons, chief economist at DKB International in London, pointed to several factors yesterday which underlined this view.

One was the rise in annual consumer price inflation to October in the western part of Germany by 3.8 per cent, an increase of 0.4 per cent on the month. A second concern was the continuing debate in the German government over whether the budget deficit – and subsidies to east German industry – should be cut, or whether there should be increased taxes. Mr Lyons believes that some currency turbulence could return if German policy does not become clearer in the next few weeks.

Yesterday, though, there were increasing signs that the currency tensions have eased. The Bank of France managed to reduce the rate at which it lends through its 5-10 day lending window by 1.5 percentage points, back to 10.5 per cent where it was 5 weeks ago. The franc was unaffected by the move, closing unchanged at FFr3.3920.

The lira also continued to rally as key parts of the Italian government's emergency programme received parliamentary approval. In New York last night, it was trading at L853.75 from a previous close in London of L862.4, adding to speculation that the lira could re-enter the European exchange rate mechanism before the end of the year.

As financial markets waited for news of the chancellor's Mansion House speech, sterling continued to lose ground on speculation that another cut in UK base rates was imminent. The pound closed down ¾ of a pfennig against the D-Mark at DM2.4200.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct 29	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Belgian Franc	41.9547	40.4830	-3.51	3.91	49
Dutch Guilder	2.29193	2.21352	-3.42	3.81	45
D-Mark	2.03412	1.96664	-3.32	3.70	52
Danish Krone	7.75901	7.55874	-2.58	2.92	4
French Franc	6.82216	6.66910	-2.24	2.56	-14
Irish Punt	0.759300	0.747364	-1.57	1.86	-42
Portuguese Escudo	176.844	175.277	-0.89	1.16	-6
Spanish Peseta	139.176	139.541	0.26	0.00	-47

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

£ IN NEW YORK

Oct. 29	Latest	Previous Close
£ Spot	1.5730-1.5740	1.5720-1.5727
1 month	0.68-0.67pm	0.70-0.59pm
3 months	1.57-1.54pm	1.50-1.48pm
12 months	4.07-3.97pm	3.83-3.75pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct. 29	Previous
8.30 am	79.1	78.7
9.00 am	79.0	78.7
10.00 am	78.9	78.8
11.00 am	78.9	79.3
Noon	78.8	79.2
1.00 pm	78.7	79.2
2.00 pm	78.7	79.3
3.00 pm	78.6	79.2
4.00 pm	78.6	79.0

CURRENCY MOVEMENTS

Oct. 29	Bank of England Index	Morgan** Guaranty Changes %
Sterling	78.6	-31.2
U.S. Dollar	63.6	-14.6
Canadian Dollar	96.1	-9.4
Austrian Schilling	113.8	+15.2
Belgian Franc	115.8	+1.4
Danish Krone	115.3	+8.4
D-Mark	124.5	+30.5
Swiss Franc	113.4	+21.7
Dutch Guilder	119.1	+20.3
French Franc	109.0	-7.9
Lira	89.7	-35.4
Yen	148.4	+96.1
Peseta	99.7	-24.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Oct.28

CURRENCY RATES

Oct. 29	Bank & rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.828970	0.812730
U.S. Dollar	3.00	1.40964	1.27455
Canadian $	7.75	1.74739	1.58261
Austrian Sch	8.25	15.2213	13.8392
Belgian Franc	7.75	44.6116	40.4830
Danish Krone	9.50	8.32815	7.55874
D-Mark	8.25	2.16323	1.96664
Dutch Guilder	7.75	2.43529	2.21352
French Franc	10½	7.34070	6.66910
Italian Lira	14.00	1866.90	1682.33
Japanese Yen	3.25	172.047	157.178
Norway Krone	-	8.82998	8.01185
Spanish Peseta	-	153.205	139.541
Swedish Krona	50.0	N/A	[illegible]
Swiss Franc	6.00	1.92627	1.75124
Greek Drach	19	N/A	255.051
Irish Punt	-	N/A	0.747364

& Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland.
† European Commission Calculations.
* All SDR rates are for Oct.28

OTHER CURRENCIES

Oct. 29	£	$
Argentina	1.5540 - 1.5565	0.9900 - 0.9910
Australia	2.2700 - 2.2710	1.4405 - 1.4415
Brazil	12327.6 - 12335.8	7854.50 - 7854.70
Finland	7.5885 - 7.6590	4.8400 - 4.8500
Greece	311.250 - 317.550	197.770 - 201.720
Hong Kong	12.1430 - 12.1595	7.7290 - 7.7300
Iran	2316.00*	1435.00*
Korea(Sth)	1223.90 - 1243.65	779.50 - 785.70
Kuwait	0.46600 - 0.46660	0.29660 - 0.29640
Luxembourg	49.65 - 49.75	31.60 - 31.70
Malaysia	3.9430 - 3.9515	2.5090 - 2.5100
Mexico	4923.50 - 4926.65	3133.00 - 3135.00
N.Zealand	2.9810 - 2.9845	1.0970 - 1.0995
Saudi Ar	5.8495 - 5.9630	3.7495 - 3.7505
Singapore	2.5380 - 2.5455	1.6175 - 1.6185
S.Af (Cm)	4.6375 - 4.6500	2.9510 - 2.9525
S.Af (Fn)	6.7740 - 6.8180	4.3105 - 4.3385
Taiwan	39.75 - 39.90	25.30 - 25.40
U.A.E.	5.7275 - 5.8410	3.6715 - 3.6735

*Floating rate. Iran Official rate: £104.15 $64.60

POUND SPOT - FORWARD AGAINST THE POUND

Oct 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5660 - 1.5785	1.5695 - 1.5705	0.68-0.66cpm	5.12	1.55-1.52pm	3.91
Canada	1.9455 - 1.9570	1.9505 - 1.9515	0.35-0.16cpm	1.57	0.87-0.63pm	1.54
Netherlands	2.7145 - 2.7435	2.7175 - 2.7275	0.07-0.16cdis	-0.51	0.81-0.95dis	-1.29
Belgium	49.65 - 50.20	49.65 - 49.75	par-5cdis	-0.60	13-19dis	-1.29
Denmark	9.2740 - 9.3700	9.2925 - 9.3025	2.08-4.20oredis	-4.00	7.10-10.50dis	-3.79
Ireland	0.9145 - 0.9250	0.9150 - 0.9160	0.60-0.70cdis	-8.52	1.65-1.87dis	-7.69
Germany	2.4145 - 2.4580	2.4175 - 2.4225	0.12-0.18pfdis	-0.74	0.87-0.97dis	-1.52
Portugal	214.80 - 216.80	214.80 - 215.80	265-350cdis	-17.14	630-825dis	-13.52
Spain	171.15 - 172.75	171.15 - 171.45	66-85cdis	-5.29	251-286dis	-6.27
Italy	2056.40 - 2102.00	2061.75 - 2062.75	10-13lirediss	-6.69	35-41dis	-7.37
Norway	9.8400 - 9.9520	9.8400 - 9.8500	1.20-2.90oredis	-2.50	6.20-9.20dis	-3.13
France	8.1815 - 8.2660	8.1825 - 8.1925	0.97-1.16cdis	-1.56	4.63-4.95dis	-2.34
Sweden	9.0900 - 9.1780	9.0975 - 9.1075	2.30-4.00oredis	-4.15	9.60-13.00dis	-4.97
Japan	193.15 - 194.60	193.25 - 194.25	0.76-0.71ypm	4.55	1.86-1.80pm	3.78
Austria	16.97 - 17.14	16.97 - 17.00	¾-1¾grodis	-0.66	2-4¼dis	-0.75
Switzerland	2.1490 - 2.1705	2.1525 - 2.1625	0.44-0.35cpm	2.20	0.67-0.56pm	1.14
Ecu	1.2275 - 1.2400	1.2275 - 1.2285	0.17-0.23cdis	-1.95	0.76-0.90dis	-2.70

Commercial rates taken towards the end of London trading. Six-month forward dollar 2.56-2.51pm. 12 Month 4.06-3.95pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5660 - 1.5785	1.5695 - 1.5705	0.68-0.66cpm	5.12	1.55-1.52pm	3.91
Ireland†	1.7010 - 1.7145	1.7105 - 1.7115	1.78-1.68cpm	12.15	4.55-4.25pm	10.29
Canada	1.2350 - 1.2420	1.2410 - 1.2420	0.32-0.42cdis	-3.58	0.68-0.80dis	-2.38
Netherlands	1.7250 - 1.7435	1.7330 - 1.7340	0.80-0.83cdis	-5.64	2.25-2.30dis	-5.25
Belgium	31.55 - 31.90	31.60 - 31.70	14.00-16.00cdis	-5.69	40.00-43.00dis	-5.24
Denmark	5.8990 - 5.9525	5.9200 - 5.9250	3.85-5.15oredis	-9.12	10.50-12.50dis	-7.77
Germany	1.5320 - 1.5495	1.5410 - 1.5420	0.74-0.75pfdis	-5.80	2.09-2.11dis	-5.45
Portugal	136.70 - 137.35	136.70 - 136.80	225-275cdis	-21.94	530-650dis	-17.26
Spain	108.70 - 109.75	109.10 - 109.20	90-100cdis	-10.44	270-290dis	-10.26
Italy	1310.00 - 1325.00	1313.25 - 1313.75	12.30-13.80liredis	-11.92	36.00-39.00dis	-11.42
Norway	6.2500 - 6.3105	6.2675 - 6.2725	3.50-4.50oredis	-7.66	10.25-12.00dis	-7.10
France	5.1970 - 5.2535	5.2125 - 5.2175	2.90-2.95cdis	-6.73	8.20-8.30dis	-6.33
Sweden	5.7695 - 5.8320	5.7950 - 5.8000	4.00-5.00oredis	-9.31	12.00-14.00dis	-8.97
Japan	122.80 - 123.40	123.30 - 123.40	0.06-0.07ydis	-0.63	0.06-0.07dis	-0.21
Austria	10.8000 - 10.8850	10.8025 - 10.8075	4.20-5.20grodis	-5.22	12.00-14.00dis	-4.81
Switzerland	1.3635 - 1.3795	1.3740 - 1.3750	0.32-0.35cdis	-2.92	0.94-0.98dis	-2.79
Ecu	1.2640 - 1.2800	1.2760 - 1.2770	0.76-0.73cpm	7.00	2.09-1.97pm	6.27

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Oct 29	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	9 - 8⅞	9 - 8⅞	8⅞ - 8¾	8¾ - 8⅝	8½ - 8⅜	7¾ - 7⅝
Swiss Franc	6¼ - 6	6¼ - 6	6¼ - 6⅛	6⅛ - 6	6¼ - 6⅛	6 - 5⅞
D-Mark	9 - 8⅞	9 - 8⅞	9 - 8⅞	8⅞ - 8¾	8½ - 8⅜	7⅞ - 7¾
French Franc	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾	9⅝ - 9½	9½ - 9⅜	9 - 8⅞
Italian Lira	15 - 13	15½ - 14½	15 - 14½	14½ - 14¼	14 - 13½	13¾ - 13¼
Belgian Franc	9⅛ - 9⅜	9⅛ - 9⅛	8⅞ - 8⅝	8⅝ - 8⅝	8¼ - 8⅛	8¼ - 8
Yen	4⅛ - 4	4⅛ - 3⅞	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3¾
Danish Krone	12 - 11	13 - 12	13 - 12½	12¾ - 12¼	12¼ - 11¾	11¾ - 11
Asian $Sing.	1½ - 1⅜	1½ - 1⅜	1⅞ - 1¾	2⅛ - 1⅞	2¼ - 2⅛	2⅝ - 2½
Spanish Peseta	13¾ - 13½	13¾ - 13½	13¾ - 13½	13¾ - 13½	13⅞ - 13⅝	13⅞ - 13⅝

Long term Eurodollars: two years 4¾-4⅝ per cent; three years 5⅜-5¼ per cent; four years 5⅞-5¾ per cent; five years 6⅛-6 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct.29	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.570	2.420	193.8	8.188	2.158	2.723	2062	1.951	49.70	171.3	1.228
$	0.637	1	1.541	123.4	5.215	1.375	1.734	1313	1.243	31.66	109.1	0.782
DM	0.413	0.649	1	80.08	3.383	0.892	1.125	852.1	0.806	20.54	70.79	0.507
YEN	5.160	8.101	12.49	1000.	42.25	11.14	14.05	10640	10.07	256.4	883.9	6.336
F Fr.	1.221	1.917	2.956	236.7	10.	2.636	3.326	2518	2.383	60.70	209.2	1.500
S Fr.	0.463	0.728	1.121	89.81	3.794	1	1.262	955.5	0.904	23.03	79.38	0.569
N Fl.	0.367	0.577	0.889	71.17	3.007	0.793	1	757.3	0.716	18.25	62.91	0.451
Lira	0.485	0.761	1.174	93.99	3.971	1.047	1.321	1000.	0.946	24.10	83.07	0.596
C$	0.513	0.805	1.240	99.33	4.197	1.106	1.396	1057	1	25.47	87.80	0.629
B Fr.	2.012	3.159	4.869	389.9	16.47	4.342	5.479	4149	3.926	100.	344.7	2.471
Pta	0.584	0.917	1.413	113.1	4.780	1.260	1.590	1204	1.139	29.01	100.	0.717
Ecu	0.814	1.279	1.971	157.8	6.668	1.757	2.217	1679	1.589	40.47	139.5	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100%

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%

LIFFE EUROMARK OPTIONS DM1m points of 100%

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS Lira 200m 100ths of 100%

LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

LIFFE EURO SWISS FRANC OPTIONS SFR 1m points of 100%

[illegible]

LONDON (LIFFE)

9% NOTIONAL BRITISH GILT; US TREASURY BONDS 8%; 6% NOTIONAL GERMAN GOVT. BOND; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; 12% NOTIONAL ITALIAN GOVT. BOND (BTP); THREE MONTH STERLING; THREE MONTH EURODOLLAR; THREE MONTH EUROMARK; THREE MONTH ECU; THREE MONTH EURO SWISS FRANC; THREE MONTH EUROLIRA INT. RATE

[illegible]

FT-SE 100 INDEX * £25 per full index point

	Close	High	Low	Prev.
Dec	2673.0	2701.0	2658.0	2683.0
Mar	2694.0	2691.0	2691.0	2705.0
Jun	2709.0			2719.0

Estimated volume 8867 (6690)
Previous day's open int. 46919 (46520)

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5700	1.5633	1.5547	1.5447	1.5299

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%; JAPANESE YEN (IMM) Y12.5m $ per Y100; DEUTSCHE MARK (IMM) DM125,000 $ per DM; U.S. TREASURY BILLS (IMM) $1m points of 100%; THREE-MONTH EURODOLLAR (IMM) $1m points of 100%; BRITISH POUND (IMM) $ per £; STANDARD & POORS 500 INDEX $500 times index; SWISS FRANC (IMM) SFr 125,000 $ per SFr; PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

[illegible]

PARIS

7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES; THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate); CAC-40 FUTURES (MATIF) Stock index; ECU BOND (MATIF)

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
107	3.60	-	-	0.02	-	-
108	2.57	3.60	-	0.05	0.43	-
109	1.64	2.76	-	0.15	0.63	-
110	0.84	2.03	-	0.31	0.91	-
111	0.30	1.49	1.90	0.78	1.29	1.68
Open Int.	273,629	122,812	9,842	224,666	97,555	1,350

Estimated volume 43,097 † Total Open Interest 729,954
† All Yield & Open interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	8	Credit Lyonnais	8	McDonnell Douglas Bnk	8
Allied Trust Bank	8	Cyprus Popular Bk	8	Midland Bank	8
AIB Bank	8	Duncan Lawrie	8	Mount Banking	8
● Henry Ansbacher	8	Equatorial Bank plc	8	NatWestminster	8
B & C Merchant Bank	13	Exeter Bank Limited	9.5	Northern Bank Ltd	8
Bank of Baroda	8	Financial & Gen. Bank	8	Nykredit Mortgage Bank	8.5
Banco Bilbao Vizcaya	8	● Robert Fleming & Co.	8	● Rea Brothers	8
Bank of Cyprus	8	Robert Fraser & Ptnrs.	8.5	Roxburghe Guarantee Corporation Limited	10
Bank of Ireland	8	Girobank	8	Royal Bk of Scotland	8
Bank of India	8	● Guinness Mahon	8	● Smith & Williamson Secs.	8
Bank of Scotland	8	Habib Bank AG Zurich	8	Standard Chartered	8
Banque Belge Ltd	9	● Hambros Bank	8	TSB	8
Barclays Bank	8	Hampshire Trust Plc	13.5	Unibank plc	8
Brit Bk of Mid East	8	Heritable & Gen Inv Bnk	8	● United Bk of Kuwait	9
● Brown Shipley	8	● Hill Samuel	8	Unity Trust Bank Plc	8
CL Bank Nederland	8	C. Hoare & Co.	8	Western Trust	8
Citibank NA	8	Hongkong & Shanghai	8	Whiteaway Laidlaw	8
City Merchants Bank	8	Julian Hodge Bank	8	Yorkshire Bank	8
Clydesdale Bank	8	● Leopold Joseph & Sons	8		
Co-operative Bank	8	Lloyds Bank	8		
Coutts & Co	8	Meghraj Bank Ltd	8		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

European rates firm

CASH rates in European money markets were slightly firmer yesterday after the Bundesbank decided to leave rates unchanged and official figures showed that inflationary pressures in Germany remained high, *writes James Blitz.*

Rates in the sterling money markets also firmed yesterday afternoon as dealers took the view that there would be no cut in UK base rates to accompany the chancellor's Mansion House speech.

UK clearing bank base lending rate 8 per cent from October 16, 1992

Money market dealers had come to believe that there would be no cut in German rates earlier in the week, but the final decision still triggered some bearishness. Compounding this was news that the cost of living in western Germany had risen by 0.4 per cent in October from September, and was 3.8 per cent up on the year.

The news swamped any bullishness that might have accompanied the Bank of France's decision to cut the rate at which it lends for 5-10 days from 13 per cent to 10.5 per cent. This reversed the move made five weeks ago to defend the franc in the face of huge currency speculation, but yesterday's reversal was seen as mostly technical.

In the face of all this, German call money firmed to 9 per cent yesterday morning, although it later fell back to 8.8 per cent.

The December Euromark futures contract dropped 18 basis points from its previous close, to finish at 91.55. The December French franc contract rose 20 basis points in the wake of the French rate cut, but later closed unchanged at 90.78.

In the sterling cash markets, 3-month money dipped to 7 5/16 per cent in the morning, its lowest level since the last base rate change. The fall was triggered by hopes of another base rate cut.

However, the Bank again dealt at the established rates in the early round, and the cost of cash rose sharply in the afternoon.

Three-month money closed at around 7⅜ per cent from a previous close of 7½ per cent, although 1-month money closed at an offered rate of 8¼ per cent. The December short sterling contract fell very heavily, closing 20 basis points down on the day at 93.47.

However, that closing price still assumes that there will be a 1¼ percentage point cut in rates before the year's end.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.29) 3 months US dollars		6 months US Dollars	
bid 3⅛	offer 3¼	bid 3¼	offer 3⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds			
Prime rate	6	One month	2.76	Three year	4.76
Broker loan rate	5	Two month	2.84	Five year	5.79
Fed funds	3⅛	Three month	3.00	Seven year	6.28
Fed funds at intervention	-	Six month	3.26	10-year	6.71
		One year	[illegible]	30-year	7.61
		Two year	4.28		

Oct.29	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.80-8.90	8.75-8.90	8.70-8.85	8.70-8.80	8.30-8.45	9.50
Paris	9¾-9⅞	9⅝-9⅞	-	9⅜-9⅝	-	9.60
Zurich	6⅛-6¼	6-6¼	-	6⅛-6⅜	-	-
Amsterdam	8.75-8.88	8.65-8.75	-	8.55-8.65	-	-
Tokyo	3⅞-3⅞	4-4⅛	-	-	-	-
Milan	14⅛-14⅞	14⅞	-	14¼-14⅞	-	-
Brussels	9⅛-9⅜	8⅞-8⅞	-	8⅞-8⅞	-	-
Dublin	14¾-15	14¾-15	14⅞-14⅞	13⅞-14⅛	13-13¾	-

LONDON MONEY RATES

Oct. 29	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11	9½	8⅝	7¾	7⅛	6¾
Interbank Bid	5	8¾	8⅛	7⅜	6¾	6⅜
Sterling CDs	-	-	8⅛	7⅛	6¾	-
Local Authority Deps.	9⅛	9	8¾	7⅜	7⅛	6¾
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10	8¾	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	8½	7⅞	7⅞	6⅞
Treasury Bills (Buy)	-	-	7⅞	6⅞	6⅞	-
Bank Bills (Buy)	-	-	7⅞	6⅞	6⅞	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.12	3.35	3.40	3.70
SDR Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month 7⅛ per cent; three months 6⅞ per cent; six months 6⅞ per cent; Bank Bills (sell): one-month 7⅞ per cent; three months 6⅞ per cent; Treasury Bills: Average tender rate of discount 6.8774 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 30, 1992. Agreed rates for period November 25, 1992 to December 25, 1992, Scheme I: 9.77 p.c., Schemes II & III: 9.63 p.c. Reference rate for period October 1, 1992 to October 30, 1992, Scheme IV&V: 8.454 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from October 1, 1992; Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 6¾ per cent; one-three months 7 per cent; three-six months 6¾ per cent; six-nine months 6¾ per cent; nine-twelve months 6½ per cent; Under £100,000 4¼ per cent from Oct 20, 1992. Deposits withdrawn for cash 4 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

No.7,990 Set by ADAMANT

ACROSS

1 He's too upset to calm down (6)
4 Great classic setback for men of power (8)
9 Ask to get out the seal (6)
10 To display fine feathers causes confrontation (8)
12 Operating theatre meets new menace (8)
13 Proceed south and get a taste of the local news (6)
15 Penny dreadful featuring cross-dressing? (4)
16 Officer to give lodger prior place (10)
19 Keep talking about the flower (10)
20 Try to get a lot about river creature (4)
23 Before coming back, invest an amount of money you can take up again (6)
25 A student in any environment has little relative treatment in mind (8)
27 Politicians can accept explosive ideas (8)
28 Limited iron casing in it (6)
29 Frantic glares at stock exchange hand-outs (8)
30 Add some piquancy to the deep issue (6)

DOWN

1 Saw the digs being excavated .... (7)
2 .... while keeping an eye open for outside broadcast on domestic help (9)
3 An asinine statement (6)
5 Part time teachers suffer a sense of loss (4)
6 Men cower in disarray at the invader (9)
7 Equipment for cat's-paws (5)
8 Where children play and quietly sit around (7)
11 GI held out until "Time, please!" (7)
14 The way forward for public transport (3,4)
17 Craft centre? (10)
18 The traffic could compel the two Frenchmen inside (8)
19 A pound for a young tearaway (7)
21 Manage to see how to rescind the amendment (7)
22 This clue is about to go down the drain! (6)
24 Very thin girl about to come back (5)
26 Makes a fuss over just a short journey (4)

Solution to Puzzle No.7,989

PRAYER CORTES; CONCERN RAREBIT; SLAUGHTERS MASS; LOTTO DESISTED; MISTAKEN ACRES; ECHO CONVENTION; BOUNDER CABARET; HEELED ADVENT

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Oct 28	Oct 27	Oct 26	Oct 23	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3251.40	3235.73	3244.11	3207.64	3413.21 (1/6)	3136.58 (9/10)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102.30	102.18	101.97	101.99	103.20 (18/9)	98.41 (20/3)	103.20 (18/9/92)	54.99 (1/10/81)
Transport	1356.14	1355.53	1356.34	1333.17	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	218.14	218.14	217.08	216.32	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3262.48 (3270.31) Low 3210.34 (3210.88) (Theoretical)
Day's High 3251.40 (3250.59) Low 3224.12 (3222.22) (Actual)

STANDARD AND POOR'S

	Oct 28	Oct 27	Oct 26	Oct 23	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	420.13	418.49	418.16	414.10	425.27 (14/9)	394.50 (8/4)	425.27 (14/9/92)	4.40 (1/6/32)
Industrials	492.66	490.76	490.56	485.96	503.30 (14/9)	470.91 (8/4)	503.30 (14/9/92)	3.62 (21/6/32)
Financial	37.06	36.95	36.89	36.39	37.06 (28/10)	32.40 (8/4)	37.06 (28/10/92)	8.64 (1/10/74)
NYSE Composite	230.91	230.01	229.78	227.83	233.73 (14/9)	217.92 (8/4)	233.73 (14/9/92)	4.46 (25/4/42)
Amex Mkt. Value	379.00	376.65	376.16	374.24	418.99 (12/2)	364.85 (9/10)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	601.39	596.95	598.92	597.30	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Oct 28	Oct 16	Oct 9	year ago (approx.)
Dow Industrial Div. Yield	3.24	3.27	3.31	3.09

	Oct 21	Oct 14	Oct 7	year ago (approx.)
S & P Industrial div. yield	2.72	2.76	2.80	2.69
S & P Indl. P/E ratio	27.22	26.77	26.45	21.44

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Life Re	3,976,400	24¾	.....
RJR Nabisco	3,675,100	8¾	+ ⅛
Gen Motors	3,258,100	31¾	- 1
IBM	2,845,600	67⅞	+ 1⅛
Merck	2,359,100	43¾	+ ⅛
Philip Morris	2,317,300	76¾	+ ½
Chrysler	2,204,400	27	[illegible] ⅛
Glaxo	1,940,000	25⅛	.....
Ford Motor	1,938,200	38¼	- 1⅛
Union Carb	1,930,000	14⅛	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Oct 28	Oct 27	Oct 26
New York SE	203.040	201.650	187.975
Amex	12.193	12.643	12.423
NASDAQ	208.599	202.574	168.795
NYSE			
Issues Traded	2,352	2,360	2,371
Rises	1,016	851	1,095
Falls	718	903	697
Unchanged	618	606	579
New Highs	66	66	68
New Lows	46	51	50

CANADA

TORONTO	Oct 28	Oct 27	Oct 26	Oct 23	1992 HIGH	1992 LOW
Metals & Minerals	2745.96	2676.37	2729.47	2679.05	3238.87 (16/1)	2603.82 (15/10)
Composite	3334.71	3286.44	3276.00	3246.76	3664.00 (16/1)	3195.40 (14/10)
MONTREAL Portfolio	1764.70	1733.03	1727.55	1705.00	1937.59 (16/1)	1663.16 (14/10)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ◆ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

	Oct 29	Oct 28	Oct 27	Oct 26	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1417.8	1418.2	1436.6	1450.7	1684.50 (22/5)	1417.60 (19/10)
All Mining (1/1/80)	603.6	604.3	615.7	622.6	726.80 (3/7)	593.30 (19/10)
AUSTRIA						
Credit Aktien (30/12/84)	327.70	329.60	332.65	(c)	498.57 (24/2)	291.41 (13/8)
Traded Index (2/1/91)	795.23	801.10	806.58	(c)	1099.43 (24/2)	682.96 (13/8)
BELGIUM						
BEL20 (1/1/91)	1137.35	1135.21	1129.96	1134.80	1235.40 (2/6)	1046.07 (2/9)
DENMARK						
Copenhagen SE (3/1/83)	251.09	250.42	250.93	252.44	365.29 (15/1)	250.42 (28/10)
FINLAND						
HEX General (28/12/90)	754.6	737.0	716.4	709.6	935.90 (24/2)	541.00 (7/9)
FRANCE						
CAC General (31/12/81)	465.32	465.57	464.00	466.16	555.93 (12/5)	441.70 (7/10)
CAC 40 (31/12/87)	1730.07	1749.86	1774.48	1770.74	2077.49 (11/5)	1611.04 (5/10)
GERMANY						
FAZ Aktien (31/12/58)	592.38	603.98	603.99	604.11	725.26 (26/5)	565.61 (12/10)
Commerzbank (1/12/53)	1674.10	1707.00	1705.40	1707.6	2043.80 (25/5)	1594.60 (12/10)
DAX (30/12/87)	1493.64	1518.30	1533.77	1542.49	1811.57 (25/5)	1420.30 (6/10)
HONG KONG						
Hang Seng Bank (31/7/64)	6117.59	6126.98	6218.01	6062.47	6329.12 (22/10)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1154.77	1150.68	1153.16	(c)	1469.57 (17/1)	1094.88 (19/10)
ITALY						
Banca Com. Ital. (1972)	428.51	427.05	418.89	419.70	551.59 (6/2)	354.93 (16/9)
MIB General (2/1/92)	848.0	844.0	827.0	829.0	1086.00 (5/2)	696.00 (16/9)
JAPAN						
Nikkei (16/5/49)	16937.71	17068.41	17185.26	17011.33	23801.18 (6/1)	14309.41 (18/8)
Tokyo SE (Topix) (4/1/68)	1287.13	1292.39	1297.53	1288.70	1763.43 (6/1)	1102.50 (18/8)
2nd Section (4/1/68)	1675.87	1682.13	1681.99	1689.49	2459.85 (6/1)	1502.77 (19/8)
MALAYSIA						
KLSE Composite (4/4/86)	637.15	633.31	633.32	(c)	637.13 (29/10)	546.63 (14/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	286.1	287.9	288.2	287.8	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	192.8	194.1	194.3	194.0	215.50 (26/5)	189.70 (25/8)
NORWAY						
Oslo SE (Ind) (2/1/83)	618.13	617.53	621.71	615.61	772.74 (18/5)	532.43 (25/8)
PHILIPPINES						
Manila Comp (2/1/85)	1357.81	1331.35	1322.14	(c)	1580.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	364.15	366.65	366.57	(c)	418.99 (21/1)	351.41 (21/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	816.0	821.0	832.0	857.0	1327.00 (21/1)	782.00 (15/10)
JSE Industrial (28/9/78)	4016.0	4008.0	3995.0	4003.0	4689.00 (4/6)	3936.00 (19/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	605.78	585.34	584.10	582.74	691.48 (8/2)	459.07 (21/8)
SPAIN						
Madrid SE (30/12/85)	196.62	197.53	198.74	200.02	266.51 (28/2)	179.48 (5/10)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	714.00	726.10	724.80	722.90	1014.50 (11/5)	699.00 (5/10)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	838.2	839.3	845.9	847.1	883.40 (11/5)	748.30 (8/1)
SBC General (1/4/87)	639.6	641.3	645.2	646.1	682.30 (11/5)	596.40 (26/8)
TAIWAN**						
Weighted Price (30/6/66)	3640.90	3670.90	3647.97	(c)	5391.63 (30/1)	3351.63 (26/9)
THAILAND						
Bangkok SET (30/4/75)	931.36	917.89	908.46	913.88	931.36 (29/10)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	487.1*	489.7	489.6	488.6	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	830.06	826.33	831.90	833.54	976.55 (25/5)	772.52 (5/10)

**Saturday October 24: Taiwan Weighted Price: (c), Korea Comp Ex. 557.86
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday, October 29, 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Aishin Seiki	10.0m	1,190	+40	Dai Nippon Tor	2.4m	438	+17
Denki Kogyo	5.3m	850	+65	Kaken Pharm	1.9m	1,430	-10
Nippon Mining	5.1m	486	+16	Nippon Steel	1.7m	280	
Gajoen Kanko	4.2m	156	-126	Sumitomo Chem	1.6m	480	-9
Nikken Chems	2.7m	1,120		Mitsubishi Mat	1.8m	440	-13

3 pm October 29

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3 pm October 29

NASDAQ NATIONAL MARKET

3 pm October 29

- X - Y - Z -

Xilinx		20	6515	19½	17¾	18⅞	+1⅜
Xoma Corp		4	4180	10	d8⅞	9	-⅞
Yellow Fr	0.94	21	528	27⅞	26⅞	27	+½
York Rsch		7	6813	7⅞	6¾	7¼	+⅜
ZionsUtah	1.44	10	79	62½	60¾	62	+½

AMERICA

Dow Jones steady as investors ignore data

Wall Street

US SHARE prices were virtually unchanged as investors ignored bad economic news and the latest opinion polls on the presidential race, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was down 1.62 at 3,249.78, having spent the morning session only a few points either side of Wednesday's close.

The more broadly based Standard & Poor's 500 was also little changed at the halfway mark, up just 0.95 at 421.08.

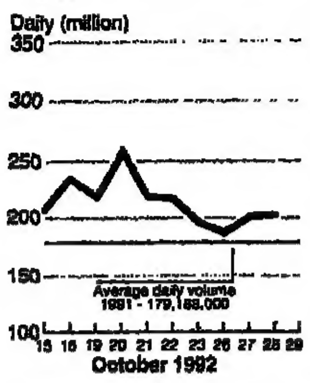
Secondary indices, however, fared better, with the Amex composite 2.46 higher at 381.46, and the Nasdaq composite, which performed best of all, up 4.84 at 606.23. Turnover on the NYSE was heavy at 123m shares by 1 pm, and rises outpaced declines by 902 to 698.

The day's economic news – an 8,000 rise in weekly jobless claims – had little impact on investors. Although the rise in claims was bigger than expected, it was not enough to unsettle the market.

Similarly, investors chose to pay little attention to reports that the gap in the opinion polls between Governor Bill Clinton and President George Bush has narrowed.

The polls have become extremely volatile in the final week of the campaign, and the uncertainty over the result – even if President Bush's chances of re-election look brighter – is proving more of a hindrance than a help to market.

NYSE volume



Among individual stocks, the final batch of third quarter corporate reports continued to trickle in. General Motors eased $⅛ to $31¼ in busy trading after the troubled motor manufacturer announced a quarterly loss of $752.9m, an improvement from the loss of more than $1bn at the same stage a year earlier. The figures were in line with analysts' forecasts.

Ford, which reported its earnings earlier in the week, fell $⅝ to $37½ after the securities house Lehman Brothers downgraded its 1992 and 1993 profits estimates for the company. Chrysler was slightly firmer, up $⅛ at $27⅛.

Data General dropped $2¼ to $10¾ in turnover of more than 1m shares after the company reported net income of just 1 cent a share, down sharply from the 53 cents a share earned in the same quarter of 1991.

US Surgical fell $3⅛ to $68¼ after the company told analysts that October sales were below expectations. The stock was also damaged by negative comments about sales by the broking house Hambrecht & Quist.

Canada

TORONTO stocks remained positive at midsession on hopes of lower domestic interest rates.

The TSE-300 composite index rose 5.32 to 3,340.03 while the financial services sub-index was down 7.34 at 2,697.62. Volume was some 20m shares at midday.

Among the most actives, Cara Operations added 10 cents to C$4.50 and MDC Corporation was 6 cents firmer at C$1.10.

ASIA PACIFIC

Nikkei average declines in index-linked trading

Tokyo

TOKYO shares eased in index-linked trading, pushing the Nikkei average below the 17,000 support level, *writes Emiko Terazono in Tokyo.*

The 225-issue index lost 130.70 to 16,937.71 at the close, having opened at the day's high of 17,069.21 before breaking below 17,000 by mid-morning. The index fell to the day's low of 16,927.38 in the afternoon on index-linked selling.

Volume fell to 160m shares from 209m, as investors remained sidelined amid interim earnings announcements.

Losers led gainers by 648 to 275 with 163 issues unchanged. The Topix index of all first section stocks fell 5.26 to 1,287.13 and in London the ISE/Nikkei 50 index rose 0.32 to 1033.20.

Apart from a few individual *theme stocks, share price* movements were dominated by small-lot, index-linked trading.

While some traders hope that lower interest rates will encourage institutional investors to shift funds from bonds and money markets into the equity market, most investors regard current share prices as too high. One fund manager said that the Nikkei average, trading at a price-earnings ratio of 46.8, would have to fall further before he could start buying.

Dealers dabbled in speculative theme stocks. Aisin Seiki, the most active issue of the day, gained Y40 to Y1,190 on the nuclear fusion theme. Mitsubishi Materials gained Y13 to Y440 and Nippon Mining advanced Y16 to Y488. Both companies are producers of palladium, necessary for room-temperature nuclear fusion experiments.

Ito-Yokado, the leading supermarket chain, rose Y40 to Y3,680 on bargain hunting after the company's president announced his resignation. The company had been hit by a wave of selling after its officials were arrested last week for alleged gangster links. Ms Setsu Yamazaki, retail analyst at James Capel, said that the resignation news had prevented further damage to Ito-Yokado's image.

High-technology issues were lower on foreign selling. NEC lost Y14 to Y670 and Fujitsu fell Y4 to Y560. Traders said that some foreign investors were shuffling their portfolios, liquidating electronics issues with weak earnings forecasts.

In Osaka, the OSE average fell 129.44 to 18,641.99 in volume of 14.5m shares.

Roundup

KUALA LUMPUR, which closed at an all-time high yesterday, and Seoul were the strongest gainers in the region.

HONG KONG closed slightly weaker after a day of moderate fluctuations, but the market largely shrugged off the latest Sino-British dispute over the colony's future. The Hang Seng index closed down 9.48 at 6,117.50 as turnover fell to HK$2.1bn from HK$2.5bn.

Bank of East Asia, suspended yesterday after a HK$1.9bn placement to foreign institutions, resumed trading and closed down HK$1.50 at HK$36.0, the same as the placement price.

KUALA LUMPUR surged in the afternoon, with strong gains in major stocks pushing the composite index up 3.82 to 637.13. Brokers said that sentiment had been encouraged in anticipation of a positive budget statement today.

SEOUL advanced for the fourth consecutive session, on news that Daewoo Group chairman Kim Woo-choong would not stand for president. The composite index added 20.44 to 605.78.

All Daewoo shares, which hit their lower limits in the morning session, reversed to close limit-up. Both Daewoo Corp and Daewoo Heavy Industries gained Won400 to Won9,100 and Won9,400.

TAIWAN reversed early gains to close lower on profit-taking. The weighted index, which was more than 30 points higher in early trade, ended 30 down at 3,640.90 on turnover of T$10.4bn after T$7.8bn.

A vote by the finance committee of parliament late on Wednesday to cut the stock *transaction* tax encouraged some early buying. But brokers do not expect the motion to pass the full parliament because it is opposed by the finance ministry and ruling Nationalist Party.

BANGKOK broke above 920 with strong gains in large-capitalisation issues. The SET index rose 13.47 to 931.36 in turnover of Bt15.12bn. Thai Farmers Bank rose Bt44 to Bt688 and Siam Commercial Bank gained Bt24 to Bt996.

MANILA rallied with interest in Meralco and Philippine National Bank. The composite index gained 25.46 to 1,357.01 with Meralco B shares up 7.50 pesos at 262.50 pesos and PNB rising 8 pesos to 246 pesos.

NEW ZEALAND fell as Fletcher Challenge dropped 10 cents to NZ$1.63. The NZSE-40 lost 11.45 to 1,369.34.

EUROPE

Bourses hit by more bad company news

MORE bad news from the corporate sector weighed on German, Dutch and Swedish equities, while a drop in French interest rates failed to support the Paris bourse, *writes Our Markets Staff.*

FRANKFURT was also upset by higher inflation data and the DAX index tumbled below the 1,500 level to close down 16.66 at 1,493.64. Turnover fell to DM4.8bn from DM5.9bn.

While the Bundesbank's decision not to lower interest rates came as no surprise, a bigger-than-expected CPI figure from Hesse did. Taken together with data from other states, west German inflation is now running at its highest level since June, at 3.8 per cent compared with 3.6 per cent a year earlier.

The chemicals sector fell heavily as BHF Bank joined the growing number of analysts who expect the big three to cut their dividends this year. BASF lost DM7.50 to DM208.50, Hoechst fell DM6.30 to DM236 and Bayer declined DM3.30 to DM283.50.

Steels were undermined by heavy first-half losses from the Dutch group, Hoogovens. Thyssen was down DM2.50 at DM153 and Preussag lost DM3 to DM302.50.

FT-SE Actuaries Share Indices

October 29 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1026.63	1025.30	1025.22	1020.90	1025.89	1027.40	1024.57	1025.26
FT-SE Eurotrack 200	1091.11	1087.24	1088.69	1085.53	1088.25	1083.55	1087.08	1086.76

	Oct 28	Oct 27	Oct 26	Oct 23	Oct 22
FT-SE Eurotrack 100	1028.09	1038.79	1038.16	1034.38	1021.53
FT-SE Eurotrack 200	1091.64	1100.79	1104.46	1108.83	1095.16

Base value 1000 (26/10/90) High/day: 100 - 1027.75, 200 - 1091.26 Low/day: 100 - 1020.90 200 - 1082.90

Porsche slid DM10 to DM455 after Wednesday's late announcement of a DM65m loss in the year ending July 1992 and the company's forecast that it expects a further decline in earnings in the current year.

BMW, down DM1.50 at DM480, attracted sell notes after the company said that earnings prospects will be affected by the recent appreciation of the D-Mark.

AMSTERDAM fell after very poor interim results from DSM and Hoogovens. The CBS Tendency index closed down 1.7 at 102.9.

The DSM third-quarter figures, which showed a 55 per cent fall in profit, were much worse than expected and the shares slid Fl 7.80 or 9 per cent at Fl 77.20. The group said that earnings had been affected by guilder strength and continuing overcapacity in the petrochemical industry. Akzo fell Fl 3.20 to Fl 127, in sympathy.

It was even a worse day for Hoogovens, after reporting a Fl 70m first-half pre-tax loss after Wednesday's close. Its shares closed down Fl 6.30 or 23.5 per cent at Fl 20.50. The group said that restructuring costs would also depress second-half results.

Fokker was suspended at Fl 17.80 ahead of news that Dasa had reached agreement with the Dutch government on the terms by which it would take a majority stake in Fokker.

PARIS ended 1.1 per cent lower as news that the government planned to sell off part of its majority stake in Rhône-Poulenc eroded early gains inspired by the Bank of France's cut in its 5-10 day lending rate. The CAC-40 index fell 18.99 to 1,730.87 as turnover remained modest at FFr1.8bn.

Although the partial privatisation of Rhône-Poulenc had long been expected, the company's CIs fell FFr20 or 3.7 per cent to FFr523 on fears that the issue of new paper would depress the price.

Générale des Eaux lost FFr72 to FFr1,926 in spite of reporting better-than-expected first-half results. News that it was injecting FFr150m into the real estate company, Lucia, through a planned recapitalisation, fanned worries that it faced further problems from its property interests.

STOCKHOLM dropped 1.7 per cent on disappointment about SKF's bigger-than-expected loss and higher domestic money market rates. The Affärsvärlden general index fell 12.10 or 714.0 in turnover of SKr484m after SKr302m.

B shares in SKF dropped SKr8 or 11 per cent to SKr65 in heavy trading after news after the close on Wednesday that the ball bearing company made a loss of SKr361m in the first nine months, compared to expectations of a loss of around SKr290m.

MILAN bucked the continental downtrend, but dealers detected some nervousness as the market approached 430, seen as a resistance level on the Comit index. The index closed 1.41 higher at 428.51 in turnover estimated at L170bn after L194bn.

Shares in the state-controlled food group SME fell L69 or 1.4 per cent to L4,780 as comments by the prime minister Mr Giuliano Amato that plans to privatise state industries could not be rushed prompted profit-taking after the recent rally.

Dealers reported some demand in Italcable which rose L70 to L4,710.

ZURICH weakened in active trading as the SMI index lost 4 to 1,905.0. Ciba-Geigy came under pressure after it was reported that the stock had been downgraded: the bearers lost SFr11 to SFr609. Roche went against the trend as its certcificates put on SFr30 to SFr3,630.

Petrofina shares tumble on North Sea fears

Shareholders have also been worried by the sharp drop in profits, says Andrew Hill

For a long time, as one Belgian stock market analyst pointed out recently the oil company Petrofina was "a sort of sacred cow". It was one of the largest stocks on the small Brussels bourse and beyond criticism, at least at home.

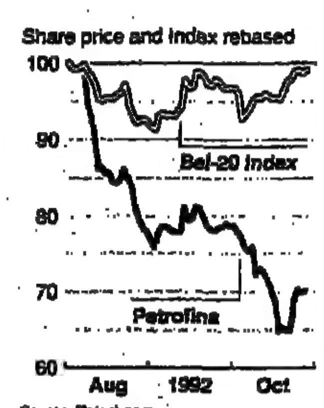
Since the summer, however, shareholders in Petrofina have had much to criticise, starting with the announcement that profits had fallen from BFr9.5bn ($300.6m) to BFr4.2bn. That was on August 6, when Petrofina shares stood at BFr10,950, broadly the same level at which they started the year.

Meanwhile, the shares have not climbed back to five figures. Worse still, bad news *from the North Sea has driven* the price down further this month. During the last week, Petrofina has rallied from its low point of BFr7,150, but the shares were still wallowing at BFr7,780 yesterday.

The sharp decline since September was prompted by a press release from the Norwegian Petroleum Directorate on October 8 indicating that, for safety reasons, it was considering closing the Ekofisk field's oil processing and storage tank before the 1995-96 winter season.

Petrofina and Phillips Petroleum of the US, which heads the Ekofisk consortium, were aghast at the publicity given to the alleged safety problems, and hit back with claims that the oil field would be producing well beyond the year 2000. The war of words is likely to come to a head today or early next week, when Phillips will issue its formal response to the Norwegian authorities.

There is no doubt that the future of Ekofisk is important to Petrofina. Some 30 per cent of the 10-platform complex is owned by its Norske Fina subsidiary, and the field accounts *for about half of the group's* crude oil production. But there are also other deeper-rooted reasons why Petrofina is out of favour with investors.



Source: Datastream

Mr Marc Debrouwer at the broker, Petercam, says: "Up to now a decline in profits in one division has been offset by increases in the others, but the problem with 1992 is that two main divisions – refining/marketing and petrochemicals – are experiencing a downturn, and at the same time we are seeing problems with exploration and production."

For other oil analysts, it is Petrofina's commitment to chemicals production – which accounted for BFr95.3bn of the group's BFr599bn net turnover last year – that is helping to depress the share price. In addition, it has relatively low *exposure to downstream* activities, the part of the oil sector which some observers believe will be first to recover.

As Ms Wendy Anderson of County Natwest in London explains: "It doesn't have the oil reserves, it doesn't have the exposure to refining, and it's heavily exposed to petrochemicals. What redeems it? Not very much, I'm afraid."

Petrofina's share price has been supported in the past by the presence of a large and apparently committed shareholder, Groupe Bruxelles Lambert, the Belgian holding company which directly and indirectly controls about 28 per cent. Recently, it has been supported by the intervention of a mystery buyer, possibly another European oil company.

But since the collapse in the *share price, the mystery buyer* has vanished and the sacred cow been duly slaughtered.

There are mixed views about how Petrofina's share price could be revived. Some analysts are calling for a cut in the full-year dividend, in spite of the possibility that such a move might be misunderstood by the market.

Others pin their hopes on the possibility of links with new industrial partners, or on the outcome of long-running talks with private Saudi Arabian investors interested in buying part of Fina, the group's US affiliate.

But most agree it will take a more lasting recovery in one or more of the company's three main sectors to put a firm floor *under Petrofina's flagging* share price.

SOUTH AFRICA

DEMAND for quality industrial shares at lower levels helped underpin the JSE and the overall index rose 7 to 3,017 in active trading. The industrial index finished 16 up at 4,016 while the gold index fell 5 to 816.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY OCTOBER 28 1992								TUESDAY OCTOBER 27 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	115.49	−2.8	108.54	89.43	92.38	110.19	−1.4	4.44	118.55	111.31	91.68	94.55	111.77	153.88	115.49	157.13
Austria (19)	149.55	−0.9	140.55	115.80	119.82	119.29	−0.9	2.36	150.96	141.76	116.77	120.41	120.38	186.70	139.27	155.33
Belgium (42)	138.41	+0.0	130.09	107.17	110.71	108.03	+0.5	5.70	138.44	129.99	107.06	110.41	107.55	152.27	135.87	130.10
Canada (114)	119.23	+1.5	112.06	92.32	95.36	106.97	+1.7	3.31	117.43	110.26	90.81	93.64	105.14	142.12	112.97	141.18
Denmark (33)	185.54	−0.1	174.37	143.67	148.40	149.20	+0.3	1.83	185.73	174.39	143.65	148.13	148.79	273.94	185.54	257.22
Finland (15)	66.11	+2.0	62.13	51.19	52.88	67.15	+1.9	2.10	64.82	60.86	50.13	51.70	65.91	89.80	52.84	85.30
France (101)	148.01	−1.3	139.10	114.60	118.38	121.19	−1.0	3.72	149.92	140.78	115.94	119.55	122.40	168.75	146.54	142.68
Germany (64)	107.91	−1.6	101.41	83.57	86.31	86.31	−1.3	2.67	109.70	103.00	84.85	87.49	87.49	129.69	106.62	108.83
Hong Kong (53)	252.33	−1.6	237.15	195.38	201.84	250.33	−1.6	3.56	256.34	240.69	198.25	204.45	254.32	261.48	176.36	165.48
Ireland (16)	134.40	+0.2	126.32	104.07	107.50	110.39	+0.3	4.91	134.19	126.00	103.79	107.02	110.03	173.71	130.87	160.02
Italy (77)	57.11	+2.3	53.68	44.22	45.68	58.61	+2.1	3.67	55.80	52.40	43.16	44.50	55.47	80.86	47.47	68.74
Japan (472)	105.21	−0.6	98.88	81.47	84.17	81.47	−0.5	1.04	105.85	99.38	81.86	84.42	81.86	140.95	87.27	141.34
Malaysia (69)	263.88	−0.5	248.01	204.33	211.06	254.89	−0.4	2.57	265.23	249.03	205.12	211.52	255.83	265.23	212.49	201.75
Mexico (18)	*1409.89*	*−1.4*	*1325.07*	*1091.74*	*1127.72*	*4831.07*	*−1.3*	*1.24*	*1430.12*	*1342.80*	*1106.04*	*1140.55*	*4892.55*	*1789.77*	*1185.84*	*1317.83*
Netherland (25)	155.51	−0.4	146.15	120.42	124.39	122.93	−0.1	4.61	156.16	146.63	120.77	124.55	123.05	169.70	147.88	142.46
New Zealand (14)	38.33	−0.6	36.03	29.69	30.66	38.33	−0.1	5.91	38.57	36.22	29.83	30.76	38.35	48.52	38.33	49.17
Norway (22)	140.48	−1.5	132.02	108.78	112.36	119.31	−1.4	2.03	142.58	133.88	110.27	113.71	120.95	192.95	136.04	188.59
Singapore (38)	191.24	+0.8	179.74	148.09	152.96	142.55	+0.6	2.31	189.59	178.01	146.63	151.20	141.45	229.63	179.65	197.20
South Africa (60)	154.95	+1.0	145.63	119.98	123.94	145.51	+0.1	3.61	153.41	144.04	118.64	122.34	145.31	263.60	144.29	260.65
Spain (48)	110.74	−1.0	104.08	85.75	88.57	91.44	−0.7	6.54	111.81	104.98	86.48	89.17	92.12	161.72	110.05	153.91
Sweden (31)	160.67	−0.3	151.00	124.42	128.52	137.84	+0.1	2.85	161.14	151.30	124.63	128.51	137.76	200.28	149.69	167.44
Switzerland (60)	110.93	−1.1	104.26	85.91	88.74	94.19	−0.8	2.27	112.14	105.30	86.74	89.45	94.97	122.37	95.99	95.46
United Kingdom (228)	165.91	−0.8	155.93	128.46	132.69	155.93	−0.7	4.70	167.19	156.98	129.29	133.33	156.98	200.07	164.88	180.13
USA (522)	171.44	+0.4	161.12	132.76	137.13	171.44	+0.4	2.97	170.78	160.35	132.09	136.21	170.78	173.39	160.92	159.75
Europe (781)	134.71	−0.8	126.61	104.32	107.76	116.99	−0.6	4.02	135.78	127.49	105.01	108.29	117.70	156.88	134.71	141.04
Nordic (101)	145.68	−0.3	136.82	112.73	116.44	117.80	+0.0	2.46	146.00	137.09	112.92	116.44	117.76	188.52	141.24	164.61
Pacific Basin (714)	110.08	−0.7	103.45	85.24	88.05	87.07	−0.6	1.39	110.87	104.10	85.75	88.43	87.56	141.97	93.70	141.91
Euro – Pacific (1495)	120.04	−0.7	112.82	92.95	96.01	99.16	−0.6	2.58	120.95	113.56	93.53	96.45	99.73	145.21	113.80	141.91
North America (636)	168.19	+0.4	158.07	130.25	134.55	167.05	+0.4	2.99	167.46	157.24	129.53	133.58	166.32	170.49	158.70	158.52
Europe Ex. UK (553)	115.67	−0.8	108.71	89.59	92.54	95.71	−0.5	3.53	116.60	109.48	90.19	93.01	96.24	132.98	115.41	117.92
Pacific Ex. Japan (242)	157.81	−1.5	148.31	122.21	126.24	144.22	−1.1	3.67	160.24	150.46	123.95	127.81	145.84	175.31	149.00	147.39
World Ex. US (1687)	121.16	−0.7	113.87	93.83	96.91	101.09	−0.5	2.61	121.96	114.51	94.33	97.27	101.60	146.91	116.18	143.86
World Ex. UK (1981)	134.44	−0.2	126.35	104.11	107.55	119.39	−0.1	2.54	134.66	126.44	104.15	107.41	119.48	150.58	127.21	145.09
World Ex. So. Af. (2149)	137.16	−0.2	128.91	106.22	109.72	122.40	−0.1	2.75	137.48	129.09	106.34	109.66	122.56	153.05	130.04	147.40
World Ex. Japan (1737)	155.36	−0.1	146.01	120.31	124.29	146.58	+0.0	3.36	156.50	146.01	120.28	124.04	146.60	165.40	151.93	153.17
The World Index (2209)	137.16	−0.2	128.93	106.23	109.73	122.66	−0.1	2.76	137.49	129.09	106.34	109.66	122.82	153.70	130.68	148.15

Latest prices were unavailable for this edition.

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